

To the rescue again
Michael Thompson-N...



Life without Horton

BP's culture change

Page 7



Thailand's Anand

Troubled lifestyle of a family man

Back Page, Section II



Lisbon

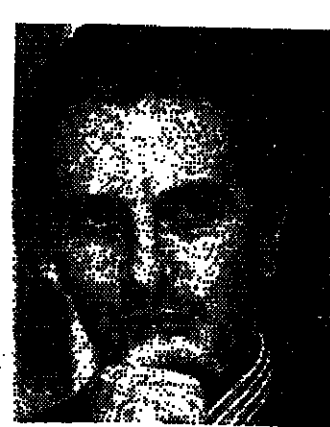
Trapped in limbo: what they did at the 'do nothing' summit

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Collor

Charisma, corruption and crisis

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FINANCIAL TIMES

Monday June 29 1992

EUROPE'S BUSINESS NEWSPAPER

FBI finds body of abducted Exxon boss

The body of Sidney Reso, 57, president of the international division of Exxon, the US oil group, was found in a wooded section of southern New Jersey, ending the highest-profile kidnapping search by the FBI for nearly 20 years. Reso was abducted two months ago. A former Exxon security guard and his wife were indicted last week on kidnapping and extortion charges. Page 12

Italian cabinet: Italy's 51st post-war government, headed by Giuliano Amato, was last night sworn in, filling a power vacuum which has lasted nearly three months. The new government has committed itself to implementing urgent measures to restore the country's public finances and to introducing institutional reform. Page 12

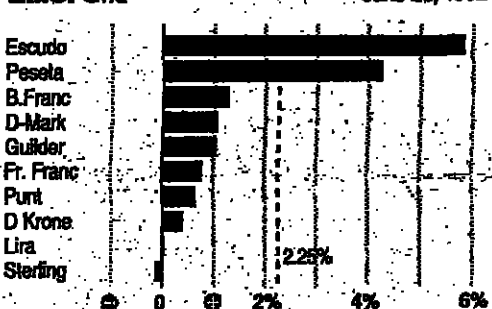
Charity's drug deal: Cancer Research Campaign, the UK charity, has signed a deal with Schering-Plough, US pharmaceuticals company, to develop a new cancer treatment it has pioneered which could earn the charity as much as £36m a year. Page 12

Earthquake strikes: The third most powerful earthquake in the US this century rocked southern California, killing one child and injuring more than 100 people in sparsely-populated desert communities east of Los Angeles. The quake measured 7.4 on the Richter scale and a second quake followed three hours later. Page 4

Record for issues: US companies raised a record \$420bn in new equity and debt issues during the first half of this year, due to historically low US interest rates and buoyant stock markets. Page 13

European Monetary System: The French franc firmed to its best levels on the European currency system's grid against the D-Mark in almost a month as the political tensions which had surrounded European monetary union and boosted the German currency faded. The franc ended the week at two per cent of its allowed swing above its central rate, the first time for a month that it has been in positive territory. The peseta was undermined by data showing that the Spanish budget deficit rose to Ptas1,100bn in the first five months of 1992 compared with Ptas700bn in the same period last year.

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weak currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weak currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

Damages claims: Olympia & York could face a court-ordered damages payment of \$120m following a US court ruling that the troubled Canadian property group was in breach of a 1983 contract with a US pension fund. Page 15

Insurer's signs of recovery: Generali, Italy's biggest insurance company, said it detected signs of recovery in its home market trends, based on figures for the first four months of this year. Some sectors should return to break-even at the underwriting level during 1993. Page 15

Total share offer: The French government's Ffr5.5bn (\$1.5bn) sale of shares in the Total oil group, the biggest issue so far in France's partial privatisation programme, was oversubscribed, with 37m applications received for the 8m shares on offer to French investors. Page 15

UK companies: The rate of UK company failures due to the recession is approaching the rate of creations, marking a radical change in recent trends, new studies show. Page 6

Treason trial decisions: A Nigerian magistrate's court will decide today whether to proceed with the treason trial of five detained political activists in the face of a restraining injunction issued by a Lagos High Court last week. Page 4

Japanese economy: Japan's ruling Liberal Democratic Party has increased pressure on the government to boost the country's flagging economy by unveiling a package of proposals costing up to ¥6,000bn (\$47.2bn), amid intense debate among party chiefs and government officials. Page 4

Whale hunting demand: Japan faced mounting calls for a trade boycott if it refuses to stop whale hunting. The demands, from leading biologist David Bellamy at a 3,000 strong rally in Glasgow, came as the 37-nation International Whaling Commission prepares to decide whether to end a six-year ban on commercial whaling.

Americans held in Soviet clinics: General Dmitri Volkogonov, head of a joint Russian-US commission searching for missing US prisoners of war in the former Soviet Union, said that four Americans were held at a Soviet psychiatric hospital in 1953. At least one American prisoner of war was buried near the central Russian city of Tambov, south-east of Moscow. The report appeared to be the first tangible result of recent intensified efforts to trace 2,500 missing POWs.

European central bank likely to be sited in Bonn

By David Buchan in Lisbon

GERMANY looks almost certain to be chosen as the home for the planned European central bank after the European Community summit in Lisbon at the weekend.

Ten of its EC partners agreed, under a plan put forward by the Portuguese presidency, that Bonn could be the site of the Bank and its planned forerunner, the European Monetary Institute.

However, the plan foundered on Britain's opposition. Mr John Major killed an agreement by saying the UK was not prepared to decide on the bank's site now.

The UK still hopes that the bank's foreign exchange operating arm will be based in London.

British officials have indicated privately. But a Portuguese minister said Britain knew this was not possible, given the UK's Maastricht treaty reservation about joining the final stage of economic and monetary union.

The summit endorsed the need to ratify the Maastricht union treaty after the reverse it suffered earlier this month in the Danish referendum.

The summit also agreed to settle by December the question of future EC financing, after an acrimonious debate in Lisbon

that ended in deadlock because of conflicting interests of northern and southern EC states.

EC leaders agreed that negotiations to take applicant countries from the European Free Trade Association (Efta) could start immediately the goals of a budget deal and ratification of Maastricht were reached. The summit also pledged to make EC decision-making more open and decentralised.

On the European Central Bank, Germany said it would prefer Frankfurt to be its home, but it could accept the choice of Bonn if its partners wanted to prevent the bank's presence making one

of Europe's main financial marketplaces dominant.

Mr Anibal Cavaco Silva, Portugal's prime minister, who put forward the compromise, said: "We have never been so close to a solution [on EC institutions' sites] as this".

Four previous EC summits have ducked the issue. But it has been given urgency by the Maastricht treaty commitment to agree a site for the institute by the end of this year.

President Francois Mitterrand of France apparently agreed to the Bonn compromise, as did Mr Ruud Lubbers, the Dutch premier, who had been pushing the

rival site of Amsterdam. The Portuguese compromise would have made the institute's first president Dutch, though Mr Lubbers said he would have preferred a German head of a Dutch-based central institute or bank, rather than the other way around.

The likely outcome for other EC institutions is far more confused. Because of uncertainty about Denmark's eventual place in the Community, Portugal switched the planned EC environmental agency away from Copenhagen to Madrid. This produced changes in the institutions being offered to other EC states.

But it was a measure of the air

of compromise in Lisbon that France and Belgium seemed close to settling the EC's longest-running institutional war - over whether the French city of Strasbourg or Brussels, the Belgian capital, should be made permanent home to the European Parliament.

Portugal has suggested that Strasbourg should continue to host a minimum of 12 plenary sessions of the parliament, but that MEPs could hold up to five "extraordinary" full sessions in Brussels.

Lisbon summit, Page 2
A state of limbo, Page 10

Shelling resumes after French president seeks to bring hope to embattled Bosnians

Mitterrand praised for daring visit to Sarajevo

By Judy Dempsey in London and agencies in Sarajevo

MR Francois Mitterrand, the French president, flew out of the besieged Bosnian capital of Sarajevo yesterday evening after a daring visit by helicopter to the city's 300,000 starving inhabitants.

The dramatic six-hour stopover ended with the 75-year-old head of state in a flak jacket, taking shelter in a building near Sarajevo airport after Serb tanks and heavy machine guns on the runway renewed their assault on the suburb of Dobrinja.

As the president's white helicopter took off under heavy grey skies, Serb irregulars and Serbia's proxy Bosnian army based at the airport began shelling Dobrinja, which has been under siege for more than 50 days.

Mr Mitterrand said a second helicopter carrying aides and French security men was hit during the skirmish, in which Muslim snipers wounded five Serbian fighters.

The president finally flew out in his helicopter at 14.40 GMT to Split, where his Falcon 900 jet took him to Paris, with one of its wings taped up after being damaged by a police vehicle at Sarajevo's Butmir airport.

"I hope the tape holds," he said in Split.

Mr Mitterrand's visit to what was once one of the finest cities in the Balkans started soon after the summit meeting of European Community heads of state ended in Lisbon, the Portuguese capital, on Saturday afternoon.

His EC colleagues were apparently kept in the dark about his intentions. But Mr Mitterrand told Portuguese president Mario Soares and German chancellor Helmut Kohl about his plans by telephone before leaving.

Mr Douglas Hurd, the UK foreign secretary, said: "It's a brave act by an elderly president... I take my hat off to him."

French officials said the president had wanted to fly on Saturday directly to Sarajevo, whose airport has been blockaded by Serb forces for nearly three months, but it was too dangerous. The airport has no lights, and the runway was strewn with military equipment and shells left from weeks of heavy fighting.

Instead, on Saturday night, Mr Mitterrand flew to the Croatian city of Split, on the Adriatic coast. Officials there advised him against travelling to Sarajevo.

Undaunted, the president, apparently deeply affected by an impassioned plea of help and support last week by Bosnian president Alija Izetbegovic, refused to abandon his mission - the first by a head of state since fighting



Serb soldiers eye French president Francois Mitterrand as he arrives at Sarajevo airport yesterday.

With Mr Izetbegovic.

Both presidents laid a red rose on a makeshift altar at the central street where at least sixteen people were killed in a Serb mortar attack as people queued for bread last month.

Mr Mitterrand held talks in the shell-scarred presidency building with Mr Izetbegovic and Mr Stjepan Kljucic, a senior Croat member of the Bosnian government.

Mr Radovan Karadzic, head of the Bosnian Serbs, and a close ally of Serbian president Slobodan Milosevic, flew in from Pale, his headquarters east of Sarajevo, to talk to Mr Mitterrand.

Details of the talks were not disclosed. But by meeting first with Mr Izetbegovic, a Muslim, and the Croat leaders, Mr Mitterrand cast aside any suspicion that Paris's traditional support for Serbia would influence his humanitarian mission.

Message to Europe and France; Croatia undermining UN, Page 3
Editorial comment, Page 10

Thatcher attacks defiant Major over European union

By Philip Stephens in London

MRS Margaret Thatcher, the former British prime minister, issued a direct challenge to the authority of her successor Mr John Major, with a scathing condemnation yesterday of his support for greater union with Europe.

Her onslaught came as the prime minister raised the stakes in the Conservative party in fighting over Europe by indicating at the Lisbon EC summit that he regards successful ratification of the Maastricht treaty as an issue of personal honour.

Speaking in a television interview, Mrs Thatcher said: "Maastricht is a treaty too far. This is a treaty we didn't need and we didn't want. I most earnestly hope that it will not be ratified."

She congratulated the Danes for rejecting the treaty, called for a referendum in Britain, and said she would vote against ratification.

Mr Major, whose government takes over the presidency of the Community on Wednesday, plans to re-introduce the bill to ratify the agreement when the House of

Commons returns from its summer recess in October.

Mr Douglas Hurd, the UK foreign secretary, signalled yesterday that the government was drawing up a strategy to circumvent plans by rebel Conservative MPs to prolong indefinitely the debate on the legislation. Cabinet colleagues rejected suggestions that Mr Major would threaten to resign if the Commons did not pass the legislation. But he would be prepared to turn Maastricht into a "confidence issue" for the government.

The implication was that if Euro-sceptics on the Conservative backbenches joined with the opposition parties to wreck the legislation, they would be threatening another general election.

Mr Major will remind Tory MPs later today that they pledged support for Maastricht during the April election campaign. Reporting on the outcome of the Lisbon summit, he will claim that the debate over the future of the Community has now moved decisively against federalism towards the wider, looser structure favoured by Britain.

Mrs Thatcher, who takes her

seat in the House of Lords tomorrow, combined a blistering attack on the prime minister's approach to Europe with a sharp rebuke to the government for not lowering borrowing costs. She said there was no prospect of economic recovery unless he was prepared to risk a devaluation of sterling in the Exchange Rate Mechanism by cutting interest rates.

But she reserved her most scathing remarks for Maastricht. Mrs Thatcher described the agreement on political and economic union as a blueprint for a "central state" which would destroy British democracy. She said she would be prepared to campaign for a referendum, and derided as "gobbledygook" the principle of "subsidiarity" enshrined in the treaty.

Urging Conservative MPs to join her in voting against the bill, she suggested that they should put their obligations to "the people" ahead of loyalty to the prime minister.

Lisbon summit, Page 3
Thatcher sets stage for bitter confrontations, Page 6
State of limbo, Page 10



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NEWS: INTERNATIONAL

EC contest over cash ends in draw

Major satisfied UK has room for manoeuvre

By David Gardner in Lisbon



THE LISBON SUMMIT

THE contest at the Lisbon summit over fiscal transfers from richer to poorer EC states ended in a draw between the north and the south of the Community.

The north managed to keep any figures on budgetary commitments out of the summit conclusions, but the south defeated an attempt to extend the prospective increases over a longer period.

The main protagonists were Spain, as standard-bearer of the "cohesion" countries which include Ireland, Portugal and Greece, and the UK, which led resistance to the doubling of the EC's regional and cohesion spending called for by the European Commission.

The UK, which takes over the EC presidency this week, will now have to craft a compromise on future financing for December's Edinburgh summit.

Its obduracy in Lisbon caused Mr Jacques Delors, Commission president, to remove his own compromise from the table. Britain, with one hand tied behind its back by a presidential role which demands conciliation, will thus have to start again from the full "Delors II" package.

That package calls for an increase of nearly a third in EC revenue, from Ecu86.5bn (£48.75bn) now to Ecu119.5bn (£60.75bn) in 1997 at today's prices. Half the increase is for the Structural Funds and the new Cohesion Fund set up at Maastricht for

the four poorest states. Combined funding for the two instruments would rise from Ecu18.5bn to Ecu29.5bn in 1997.

In response to hostility from the north, Mr Delors had suggested the EC revenue ceiling be held at its current level (of 1.2 per cent of combined gross national product) for two more years, and then moved to his original target of 1.37 of GNP in the five years to 1999. This would provide "a rate of growth in Community assistance of the same order of magnitude as that established in... 1983 to 1992", said the draft compromise.

The Structural Funds were doubled during that period, so this would commit the EC to a new doubling. But the UK, with Germany and the Netherlands, managed to excise this commitment and replace it with an undefined "increase appropriate to reflect the Maastricht commitments."

"Unsatisfactory", said Spain's prime minister Mr Felipe Gonzalez, making seven syllables of the word in case colleagues were hard of hearing.

He got vigorous support from his cohesion allies, sympathy from France, and Spanish and German officials suggest, some undisclosed advice from Chancellor Helmut Kohl.

With Maastricht itself now at stake, many EC officials are looking for further movement in Bonn and Madrid to clear the financial impasse.

The UK's position will be further complicated by its need to defend the special annual budget rebate it won in 1984, which has to be reviewed in the new package.

By Philip Stephens, Political Editor

THERE were no great triumphs for Mr John Major at Lisbon. But then neither was there the uncomfortable isolation to which Britain has become so accustomed at European Community summits. So, as he prepares later this week to take over the EC presidency, Mr Major had few complaints about the overall outcome.

He lost some battles, notably over the pace of future negotiations on enlargement, but returned to London content that the tone of the final communiqué left plenty of

room for Britain to set the agenda over the next six months.

From his perspective, the summit confirmed that the certainties which had led many of his colleagues into the Maastricht accord had been replaced by a more appropriate humility about federalist blueprints following the Danish people's rejection of the treaty earlier this month.

President Francois Mitterrand - so often scornful of his British counterparts - added his voice to a barrage of promises from the leaders to make the Community less remote from its citizens.

Subsidiarity - the principle that power should be devolved to the lowest possible level - has yet to catch the imagination of Britain's partners. But Mr Major's colleagues no longer raise their eyes to the heavens when he argues that the British presidency should place it at the centre of EC decision-making.

Chancellor Helmut Kohl - repaying the efforts that Mr Major has made to establish a Bonn-London axis within the Community - proved a stalwart ally. When German journalists quizzed the chancellor in private over the direction of the British presidency, he told

them not to under-estimate Mr Major's tenacity and negotiating skills.

Mr Major has no cause for complacency. If he could claim with some justice that the Community is now ready to debate its future on the basis of his agenda - above all on decentralisation and the principle of enlargement - there was much evidence also that his partners believe the European train has come to only a temporary halt.

For all the compliments offered to his British counterpart, Mr Kohl made it clear that Bonn will not abandon its ambition to lock Germany into

a federal Europe.

This precarious balance between the pragmatism forced on the Community by Denmark and federalist ambitions will remain at the heart of the debate over Europe's future during the presidency. Mr Major's advisers acknowledge.

By the Edinburgh summit in December, Mr Major will have to give substance to the notion of subsidiarity.

It will not be easy. While Britain sees it as the instrument to tame Brussels, Mr Jacques Delors has a rather different concept.

The Commission president is happy to devolve back to

national governments much of the policing of Community law. But he - and many of Mr Major's European counterparts - do not see that as a brake on greater authority at the centre for decisions on economic, foreign and security policies.

The debate, though, is on ground chosen for once by Britain.

Mr Major is confident that by the Edinburgh summit there will be a stronger recognition that his agenda matches the mood of Europe. But, as Mrs Margaret Thatcher reminded him yesterday, he has first to demonstrate that he can deliver on his promises.



Helmut Kohl and Poul Schlüter, centre, enjoy a joke as they figure prominently among European leaders meeting at Lisbon

Enlargement talks after treaty sealed

By David Buchanan in Lisbon

THE EC will open accession negotiations with applicant countries from the European Free Trade Association (Efta) immediately after its own Maastricht union treaty is ratified.

This was the upshot of the Lisbon summit's deliberations on enlargement, the first top-level discussion by EC leaders since the Community's plans for a single market and currency started to attract a queue of would-be members.

The UK had hoped to separate the opening of enlargement talks from the complications arising from Denmark's rejection of the Maastricht treaty. This would have meant that preliminary negotiations with the four Efta applicants - Austria, Sweden, Finland and Switzerland - could have started under Britain's EC presidency in the second half of this year.

But Britain's partners prevailed in their view that Maastricht must be ratified, at least

by all EC states bar Denmark, before "official" talks with Efta can begin. However, the Commission and the UK-led Council of Ministers are "invited to speed up preparatory work needed to ensure rapid progress", before the next summit in Edinburgh.

EC leaders chose diplomatic language to ease any disappointment on the part of Turkey, Cyprus and Malta. These three poorer, southern countries have been told they must stay in the EC's waiting room, even though they all applied to join the EC before any of the Efta states.

The Lisbon communiqué underlined that the Community sees Turkey's role "in the present European political situation as of the greatest importance".

With no apparent dissent from Greece's prime minister, Mr Constantinos Mitsotakis, the summit called for intensified economic co-operation with Ankara "including a political dialogue at the highest level".

Insurers still face problems in pursuit of a real single market

Big concessions by Germany and France have helped companies, but are of little use to consumers, write Andrew Hill and Richard Lapper



THE EUROPEAN MARKET

IN June 1990, Sir Leon Brittan, the EC commissioner responsible for financial services, addressed the German Insurance Association in Cologne. Even by Sir Leon's own exacting standards, it was a detailed and closely argued speech, in which he sought to explain the Commission's insurance policy, down to the last line of small print.

The speech - to some of Europe's most meticulous, most powerful and most con-

servative insurers - was an illustration of how difficult Sir Leon then thought the battle to open the European insurance market would be.

As one of Sir Leon's advisers puts it: "When we arrived [in Brussels] in 1988, we thought that German opposition would be insurmountable."

But just over two years after Sir Leon Brittan's Cologne speech, EC finance ministers should today formally sign up to the Third Life Assurance Directive, which will complete the single insurance market.

The Third Non-Life Insurance Directive was formally adopted 10 days ago. The Insurance Accounts Directive was

adopted at the end of last year. The raft of directives will be implemented from 1994 onwards. The main effect will be to scrap the tight regulation of policy wordings and prices favoured by many member states and allow insurers to trade throughout the community on the basis of a single passport, a licence obtained from regulators in their home state.

Advocates of greater deregulation argue that the single licence should benefit insurers from countries with more liberal rules and lead to the evolution of a more liberal framework Europe-wide.

Mr Neil Hamilton, UK corpo-

rate affairs minister, said recently that controls such as prior approval and minimum pricing common in Germany, Italy and Belgium "acted as a real barrier to trade in insurance."

Germany has made a number of major concessions. For example, starting with their 1985 accounts German insurers will have to reveal the current value of their substantial assets for the first time.

All this represents a substantial advance on the more modest reforms envisaged in the second life and non-life directives introduced in 1990, which extended deregulation mainly in the commercial lines area.

Indeed the extent of liberalisation is more comprehensive than many would have been believed possible in 1985, when the single market programme was laid out.

Liberals led by Sir Leon Brittan, the EC commissioner responsible, and initially backed by the British, the Netherlands and Ireland, have won round first France and then Germany to a programme of far-reaching change.

The first breakthrough came in December 1986 when the European Court of Justice ruled that German, French, Irish and Danish attempts to

restrict the sale of "foreign" insurance policies on their territory were illegal, backing the line taken by the Commission, Britain and the Netherlands.

According to officials in Brussels to have come in the second half of 1990 when France - a protectionist on insurance, as the court case demonstrated - started changing its legislation to allow its ambitious part-state-owned insurers to compete head-to-head with their European competitors.

It was at that point, according to Commission officials, that Germany decided it could no longer be obstructive.

Yet there are some snags ahead. Mr John Young, partner with London solicitors Lovell White Durrant in London, predicts that the lack of a single contract law system will hinder a genuine single market.

In addition differences in the tax regimes between member states will also affect the extent to which genuine competition can take place.

And despite the new freedoms, penetration of some markets - especially those where retail networks are dominated by extensive networks of tied agents, which sell the products of just one company, rather than independent brokers - will be tough.

Consumer groups are concerned that although the new legislation will help the mobility of large insurance companies, it will be of little use to the consumer.

The Bureau Européen des Unions de Consommateurs (Beuc) - the main European consumers' organisation - cites linguistic difficulties, lack of information and inconsistent consumer protection rules as the main obstacles to a real single market.

Ms Monique Goyens, Beuc's legal adviser, believes a fourth generation of insurance legislation may be necessary to lay down harmonised contract safeguards.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

Data for the period 1985 to 1991 is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.																																			
UNITED STATES						JAPAN						GERMANY						FRANCE						ITALY						UNITED KINGDOM					
Year	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator	Year	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator	Year	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator	Year	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator	Year	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator						
1985	100.0	100.0	7.1	100.0	102.9	1985	100.0	100.0	2.6	100.0	102.9	1985	100.0	100.0	10.2	100.0	101.9	1985	100.0	100.0	9.6	100.0	102.9	1985	100.0	100.0	11.2	100.0	102.1						
1986	105.7	101.0	6.9	98.0	108.1	1986	106.5	99.7	2.8	94.3	105.4	1986	100.0	100.0	10.2	100.0	101.9	1986	102.4	101.1	10.4	107.2	108.0	1986	108.0	104.1	10.5	110.8	105.2						
1987	108.3	105.9	6.1	105.5	109.9	1987	113.8	103.1	2.9	102.3	115.4	1987	107.4	102.5	10.5	114.5	110.5	1987	109.5	105.1	10.5	117.6	108.1	1987	113.9	105.8	10.5	117.6	108.1						
1988	112.2	111.6	5.4	108.1	114.2	1988	122.8	112.9	2.5	135.9	122.8	1988	107.4	102.5	10.5	114.5	110.5	1988	109.5	105.1	10.5	117.6	108.1	1988	113.9	105.8	10.5	117.6	108.1						
1989	114.7	114.5	5.2	99.3	113.2	1989	132.8	119.9	2.2	147.0	126.4	1989	114.2	111.4	8.2	164.7	111.5	1989	107.9	107.3	10.0	134.9	113.0	1989	115.4	118.7	10.8	116.3	119.8						
1990	114.2	115.7	5.4	84.5	109.1	1990	142.0	125.3	2.1	149.7	124.4	1990	109.8	111.2	4.9	201.5	112.2	1990	109.8	111.3	8.4	161.1	113.0	1990	115.0	118.0	10.3	112.6	120.4						
1991	112.0	113.5	6.6	81.9	114.8	1991	145.0	128.1	2.1	144.1	124.4	1991	123.0	120.6	4.3	201.5	112.2	1991	108.7	113.3	9.4	130.0	108.2	1991	115.4	118.4	9.8	115.8	119.8						
2nd qtr. 1991	-1.6	-2.8	6.7	82.9	112.1	2nd qtr. 1991	2.6	3.3	2.1	146.4	124.1	2nd qtr. 1991	-1.4	0.2	9.3	129.9	108.2	2nd qtr. 1991	-7.9	-2.2	10.0	114.7	114.7	2nd qtr. 1991	-2.0	-5.9	6.7	84.4	106.7						
3rd qtr. 1991	-1.4	-2.1	6.7	80.9	112.6	3rd qtr. 1991	1.2	2.1	2.1	141.6	124.5	3rd qtr. 1991	0.0	-0.5	9.5	132.1	108.8	3rd qtr. 1991	0.9	-0.7	9.8	116.4	116.4	3rd qtr. 1991	-0.5	-2.2	9.4	81.9	108.6						
4th qtr. 1991	-0.6	-0.5	6.8	59.1	114.6	4th qtr. 1991	-1.0	1.8	4.4	276.8	113.0	4th qtr. 1991	0.2	1.7	9.7	124.0	106.2	4th qtr. 1991	-0.7	-0.9	9.9	115.8	115.8	4th qtr. 1991	0.4	-0.3	9.7	86.4	108.4						
1st qtr. 1992	3.5	1.3	7.1	58.9	117.4	1st qtr. 1992	-3.2	1.3	4.3	278.8	112.3	1st qtr. 1992	-1.2	1.1	9.9	119.2	108.5	1st qtr. 1992	-0.3	-0.9	9.9	115.1	115.1	1st qtr. 1992	-0.4	-1.3	10.2	73.6	109.1						
June 1991	-1.7	-2.5	6.8	63.7	112.1	June 1991	3.4	1.0	2.1	140.4	124.1	June 1991	-2.5	0.3	9.4	131.8	108.2	June 1991	-1.8	-0.4	n.a.	114.7	114.7	June 1991	-0.5	-5.0	8.9	58.9	108.7						
July	-1.2	-2.1	6.7	61.1	112.1	July	-0.3	2.1	2.2	149.8	124.1	July	-2.2	-0.8	9.5	134.8	108.7	July	3.7	-2.3	n.a.	114.9	114.9	July	-0.8	-2.0	9.2	80.9	107.2						
August	-1.8	-2.3	6.7	60.6	112.3	August	4.5	0.4	2.1	137.5	124.4	August	-0.8	-0.5	9.5	133.8	108.7	August	1.6	-6.6	n.a.	115.3	115.3	August	-0.2	-2.8	9.4	82.4	108.0						
September	-1.2	-2.0	6.7	60.9	112.6	September	-1.2	1.3	2.1	137.5	124.4	September	-2.3	-0.4	9.6	127.8	108.8	September	-2.6	-6.6	n.a.	115.4	115.4	September	-0.7	-2.0	9.5	82.3	108.6						
October	-0.8	-1.4	6.8	58.4	113.1	October	1.6	-1.8	2.1	143.5	124.2	October	1.4	0.8	9.7	124.2	108.8	October	-1.5	-1.5	n.a.	115.5	115.5	October	-0.1	-1.7	9.6	81.1	109.0						
November	-1.3	-0.2	6.8	59.1	113.6	November	4.1	-1.2	2.1	139.0	123.9	November	-0.2	1.7	9.3	125.7	108.3	November	1.1	-1.1	n.a.	115.6	115.6	November	1.6	-0.7	9.7	84.8	108.7						
December	0.5	0.2	7.0	58.8	114.6	December	0.0	-1.8	2.1	138.3	123.4	December	-0.1	2.1	9.3	125.7	108.3	December	-0.4	-0.4	n.a.	115.6	115.6	December	0.4	-0.4	9.9	80.9	107.2						
January 1992	3.7	1.4	7.2	59.0	117.1	January 1992	-4.6	2.0	133.1	122.1	January 1992	-1.8	0.2	9.3	127.0	112.2	January 1992	-3.3	0.3	9.8	121.7	108.5	January 1992	-1.4	-1.4	n.a.	115.6	115.6	January 1992	-1.0	-1.0	10.1	72.1	108.2	
February	2.0	2.6	7.2	61.4	117.4	February	-5.6	2.0	131.0	123.4	February	-8.1	0.2	9.4	128.9	112.3	February	-3.8	2.5	9.9	117.2	108.8	February	0.3	n.a.	115.4	1.3	-1.0	10.2	73.4	108.7				
March	2.0	2.6	7.2	61.4	117.4	March	-6.0	2.0	131.0	123.4	March	-8.1	0.2	9.4	128.9	112.3	March	-3.8	2.5	9.9	117.2	108.8	March	0.3	n.a.	115.4	1.3	-1.0	10.2	73.4	108.7				
April	2.5	7.1	59.3	117.5	April	-6.0	2.0	130.6	124.3	April	-2.1	0.7	9.4	128.2	112.2	April	2.8	1.3	10.0	104.8	108.3	April	0.4	n.a.	115.3	1.3	1.4	10.4	70.5	110.0					
May	2.3					May	-6.0	2.0	130.6	124.3	May	-2.1	0.7	9.4	128.2	112.2	May	2.8	1.3	10.0	104.8	108.3	May	0.4	n.a.	115.3	1.3	1.4	10.4	70.5	110.0				

Source: OECD. Figures for the composite leading indicator are end-period values. Figures for the composite leading indicator are end-period values. Figures for the composite leading indicator are end-period values.

French president's arrival lifts the spirits of a besieged capital city near to starvation

Bosnians leave cellars to hail unexpected visitor

By Laura Silber in Belgrade and agencies in Sarajevo

IN the midst of the devastation of Sarajevo, people came out of their cellars to greet the French president yesterday with cries of "Vive La France!" and hastily-scribbled placards proclaiming: "Merci Mitterrand".

"This visit could be a step towards ending the horror and avoiding military intervention," said Mr Nikola Bilic, an editor of Sarajevo Radio, who for three months has been surviving on rice and macaroni. "We have too many dead, too many wounded, who, if they survive, will be invalids. Bombs do not discriminate their targets."

Undaunted by the security risks, the 75-year-old president spent part of his six-hour trip walking through the centre of the shell-shocked city with Bosnian President Alija Izetbegovic. They visited the military hospital, where they wished a speedy recovery to some 150 patients.

When Mr Mitterrand arrived at Mr Izetbegovic's office, a large crowd chanted "Mitterrand, Bosnia, France". Some had tears running down their faces.

Later, the unexpected visitor from Paris laid a red rose on an altar at Vase Miskina

street, where 20 people were recently killed in a Serb mortar attack as they queued for bread.

"The efforts of Mitterrand are more than symbolic. The president of a great country shrugged off warnings of danger in a bid to show solidarity with the people of Sarajevo," said Mr Bilic.

The president appeared shaken by the devastation. He told journalists he felt saddened by the visit which recalled images from the second world war.

"I didn't think it would be like that because really most buildings are destroyed," he told Reuters.

"It is destruction of great magnitude, nearly all the houses. After three months of siege it's become very dangerous and very sad."

Mr Bilic explained: "He saw buildings that were once our treasures."

His visit lifted the spirits of a people at their wits' end after weeks of near-starvation.

"We had stopped hoping it would be possible to receive humanitarian aid by air. There was food for only two days more," said Mr Zoran Pirolic, a Sarajevo editor. "If the French manage to send a plane with food and medicine here, it will

save the lives of many people."

But jubilation was mixed with apprehension about the coming days, and fears that this gesture would not end the bloodshed, or the fighting. Some inhabitants of Sarajevo feared the killing would not stop without foreign military intervention.

Mr Aleksandar Karadzidjevic, the crown prince of Serbia, and the Patriarch of the Serbian Orthodox Church joined a demonstration of up to 100,000 people in Belgrade yesterday to demand the resignation of President Slobodan Milosevic.

Since the imposition of UN sanctions against Serbia, the opposition has grown more confident in its calls for the Serbian president to step down.

Mr Vuk Draskovic, the head of the Serbian Renewal Movement party, accused Mr Milosevic of leading Serbia and Montenegro, members of the reconstituted Yugoslavia, into an abyss of international isolation and condemnation.

"Far before the sanctions of the United Nations, the ruling [Socialist] politicians had excluded us from Europe. Our economy has collapsed and unemployment has soared. They have created an atmosphere of national hysteria in Serbia," Mr Draskovic said.

The crowd shouted "We want the king" and "Slobo, get out". The call to restore the king may find a groundswell of support in Serbian society, where backing for the monarchy has deep roots among the peasantry. In his halting Serbian, Prince Aleksandar at the weekend told students, in their third week of anti-government protests, that he was "here to stay".

But the return of the heir to the throne may revive divisions in Serbia between royalists and republicans. Royalists Chetniks fought against Communist partisans during the second world war in Serbia.

Prince Aleksandar yesterday pinned his future to the opposition, harshly criticising the warlike policies of the ruling Socialists (former communists). "Serbia

has had enough death", he told the chanting crowd.

But the Prince's open support for the opposition may backfire. His inability to speak Serbian weakens his appeal to the masses and may strengthen government claims that the opposition are agents of the CIA, the Vatican or Germany. See Editorial Comment



UN soldiers guard Sarajevo airport as Mr Mitterrand arrives by helicopter on his peace mission yesterday

Message to Europe and France

By Ian Davidson in Paris

PRESIDENT François Mitterrand, with his surprise flight from the European Community summit in Lisbon to Sarajevo, intended to make a spectacular gesture of support and solidarity for the suffering people of Bosnia-Herzegovina, his aides said yesterday.

The most immediate practical purpose of his dramatic visit was to clear the way for the arrival at Sarajevo of two French Transall C-160 transport aircraft, loaded with medicines, rations and other humanitarian supplies, which took off from Toulouse and Orleans yesterday afternoon.

But there seems no doubt that the French president was also seeking to deliver a strong political message to his own domestic audience, to offset the prevailing impression that the outside world is impotent to halt the civil war in the former Yugoslavia.

Like other European leaders, Mr Mitter-

rand has become distressed at the bombardment of the Bosnian capital and the loss of life. "This catches us by the throat," he said in Lisbon on Saturday, and called for a strong reaction by the European Community.

On paper the Community leaders did produce a strong reaction, with a declaration which explicitly laid most of the blame for the Yugoslav crisis on the Serbs, and held out the possibility of the use of military force, if only in the pursuit of humanitarian aims.

In declaratory terms, this statement represented a marked shift from the traditional French line, which has tended to oppose any categorical condemnation of Serbia, and sought to stress the priority of diplomatic negotiations.

But French officials are concerned that the new firm tone of the EC communiqué may not sufficiently impress French public opinion, at a critical moment in the run-up to the Maastricht referendum in

September.

In particular they are worried that the EC may appear almost completely impotent in the face of the Yugoslav crisis, despite the Maastricht Treaty's declared ambitions to develop a common European foreign and security policy.

At his closing press conference in Lisbon on Saturday, Mr Mitterrand rejected the implication that the Community was failing to live up to its new ambitions. The Maastricht Treaty had not yet been ratified, he insisted, so the EC had not yet assumed its new competences in the field of foreign and security policy.

The French political establishment reacted to his surprise trip with confusion and ambivalence. Mr Jean-François Deniau, of the centre-right UDF group, said his initiative was "rather good", but it was not the president's job to distribute aspirins.

Mr Bernard Stasi of the Centrist party said "Bravo!", but Mr Francis Bayrou, sec-

retary general of the UDF, said the president should not have taken an individual initiative.

Mr Mitterrand's plan to fly to Sarajevo was not in fact a sudden impulse, it emerged yesterday. He kept it a secret from other European leaders, and even from most of his own officials, until the

closing minutes of the Lisbon summit. But the idea had been taking shape in his mind since earlier in the week.

It firmed last Thursday, after he met the French philosopher Mr Bernard-Henri Lévy, who passed on to him a personal appeal for help from Bosnian President Alija Izetbegovic.

This is not the first time President Mitterrand has made a surprise dash into dangerous territory, for the purpose of delivering a strong political message. In 1983 he made an equally spectacular trip to Beirut, after the bomb attacks against French and American forces in Lebanon, as a gesture of moral support.

EC pins blame on Serbia

By Patrick Blum in Lisbon

THE European Community agreed at the weekend to step up pressure on Serbia, called for the dispatch of observers to Kosovo, and moved a step closer towards granting full recognition to Macedonia.

EC leaders, fearing that the

war in Yugoslavia will spread to other Balkan countries, said they would not recognise the new federal republic of Serbia and Montenegro as the successor state of the former Yugoslavia until the international institutions had done so, and demanded the suspension of the delegation of the former Yugoslavia at the Conference on Security and Co-operation in Europe and other international organisations.

At the same time they left open the possibility of force being used to re-open Sarajevo airport and allow humanitarian supplies to be flown in.

"While giving priority to peaceful means, the European Council does not exclude support for the use of military means by the UN to achieve these humanitarian objectives," said a final declaration at the end of the summit.

The declaration also firmly pinned blame on Serbia for the continuing violence in Bosnia. "Although all parties have contributed in their own way [to the fighting], by far the greatest share of responsibility falls on the Serbian leadership and the Yugoslav army controlled by it," it said.

Some EC states, led by France and Italy and followed by Germany, had wanted the Community to adopt more specific measures to ensure emergency supplies could be flown in. Italy argued that force

should be used to reopen the airport, while France and Germany pressed for tough action, though they fell short of calling for direct military intervention. Others remained cautious.

The British prime minister, Mr John Major, argued that a ceasefire would have to be in force before an airlift could be carried out.

In the end leaders agreed the EC would not act alone but back any United Nations initiative, and urged the UN Security Council to "take, without delay, all necessary measures for the reopening of the airport and effective delivery of humanitarian assistance".

The Community also called for the immediate dispatch of international observers to the Serbian-controlled province of Kosovo and neighbouring countries, with the aim of preventing an escalation of the conflict.

Under pressure from Greece, EC leaders said they were ready to recognise Macedonia as an independent state provided it chose a name which does not include the term Macedonia.

The news of Mr Mitterrand's flight to Sarajevo took everyone at the EC summit by surprise, though Portuguese officials said Portugal, which holds the rotating EC presidency until Wednesday, was informed. The mission was not discussed at the summit.

Day when rivers run with blood

HISTORY yesterday rose from the mortar and artillery smoke of the besieged Bosnian capital of Sarajevo as French President François Mitterrand's armoured helicopter landed at the city's airport, writes Judy Dempsey.

But it will take more than Mr Mitterrand to destroy the myths which surround June 28, St Vitus's Day. Every year on that day, according to legend, the rivers of the Balkans will run blood red at midnight.

Indeed, it was on June 28 1914 that Gavrilo Princip, a 20-year-old Serb revolutionary student, shot dead Archduke Franz Ferdinand of Austria-Hungary in Sarajevo. That event sparked the first world war, after Austria declared war on Serbia.

On that day in 1921 the Constitution of Yugoslavia - the Kingdom of Serbs, Croats and Slovenes - was proclaimed, amid suspicions among the latter two that Serbia would dominate the new state.

On June 28 again, 27 years later, the late Josip Broz Tito stunned the world by breaking with Stalin, a move which earned him friends in the west and which saw the beginnings of the establishment of the neutral and non-aligned states.

But the significance of St Vitus, a 14th-century Sicilian martyr, goes back many centuries. On St Vitus' Day in 1389, Ottoman troops defeated the Serbs on the fields of Kosovo Polje, the cradle of the Serbian kingdom.

Six hundred years later to the day, Serbian president Slobodan Milosevic sought to redress this ignominious defeat by addressing a crowd of over 250,000 people at Kosovo Polje. Amid sweltering heat, and an atmosphere of nationalist fervor, he vowed to create a Greater Serbia in which all Serbs would live.

In 1991, on June 28, a humiliated Yugoslav army, backed by Mr Milosevic, declared a ceasefire in the former Yugoslav republic of Slovenia, after they had failed to quash Slovenia's quest for independence.

That same day, the army started turning its attention to Croatia, leaving over 8,000 dead in a war which soon spread to Bosnia-Herzegovina.

Croats 'undermining UN'

By Judy Dempsey

CROATIA is undermining efforts by United Nations peace-keeping forces in that republic, and is destabilising chances of any ceasefire in Bosnia-Herzegovina, UN secretary-general Boutros Boutros Ghali told the security council in a report published in New York at the weekend.

In the most damning criticism yet of Croatia's activities in both Croatia and Bosnia-Herzegovina, Mr Boutros Ghali appealed to Croatian President Franjo Tudjman to withdraw Croatian forces from Bosnia and refrain from attacking UN-protected areas in Croatia.

"Tudjman gave us no assurance whatsoever that he would meet our requests," an EC official in Belgrade said this week-end. "We warned Tudjman that Boutros Ghali was becoming increasingly impatient with Croatia's obstructive and dangerous activities," a UN official in Belgrade said yesterday.

In a memorandum to Mr Boutros Ghali by the UN officials who drew up the report - not yet a public document - he was told that Zagreb was using the international focus on Sarajevo as a smokescreen to pursue its own aims in Croatia and Bosnia-Herzegovina, that Croats were increasingly confident because they were now heavily armed, and that they sensed that the Yugoslav

army and Serb irregulars were overstretching themselves.

Croatia's aims include regaining all its territory seized by Serbs last year. But those regions are now under UN protection. Western diplomats said the Croatian government believed the presence of the UN was allowing the Serbs to hold on to the areas.

"In fact, the UN is trying to prevent Serbs and Croats from killing each other. That is one of the reasons why we are here," a UN official said.

In his report on Croatia, Mr Boutros Ghali said the Zagreb government was hindering the UN's work in several ways. The memorandum refers to a case in sector west, a UN-protected region in central Croatia, where a bomb exploded in the house rented by UN officials on June 5. A local Serb, despite threats by the Croatian army, had rented the house to Canadian UN officials.

"The Croats do not want us there [UN-protected region in central Croatia] because they, like the Serbs in eastern Croatia, are involved in their own form of ethnic cleansing. They want to expel the local Serbs and regain control over the region. They do not want to let us see what is going on," a UN official said.

Of more concern for UN activities in the region, and reflected in Mr Boutros Ghali's report, the Croatian army last

week launched an offensive in the Serb-inhabited region of Krajina, south-west Croatia - also a UN protectorate. "The Croatian army attacked these areas last Sunday, and bombarded Knin [the capital of Krajina] last Monday," said Mr Cedric Thornberry, head of the UN's civilian operations.

The Serbs have since declared a state of mobilisation against the Croatian offensive. "The UN forces are now right in the middle of the firing line. They can hardly defend themselves," said a UN official.

In Herzegovina, western Bosnia, UN officials have repeatedly asked local Croatian forces to allow them to visit the region. "We were told by the Croats that they could not guarantee our safety," an official said. He said Croatian forces had destroyed dozens of Serb - and Moslem - villages in the region and forced thousands of civilians to flee.

During a meeting of the charges d'affaires of the five permanent members of the security council last week in Belgrade, a diplomat suggested that the west should consider sanctions on Croatia if it refused to withdraw its forces from Bosnia and stop hindering UN operations in Croatia.

"No one questions that Serbia is the aggressor. But like Serbia, Croatia is also creating its own Greater Croatia," a UN official said.

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NEWS: INTERNATIONAL

Likud to pick new leader by year-end

By Hugh Carnegie
in Jerusalem

ISRAEL'S Likud party, reeling from its election defeat by Labour last week, announced yesterday it would choose a new leader by the end of the year to succeed Mr Yitzhak Shamir, who has already said he will stand down.

President Chaim Herzog is due later this week to call on Mr Yitzhak Rabin, Labour leader, to form a new government. Mr Rabin says this could be in place by mid-July and will be committed to speedy progress in Middle East peace talks.

The Likud, in government for 15 consecutive years, is resigned to a spell in opposition during which it will attempt to renew its electoral appeal. As a first step, Likud ministers yesterday decided to hold a ballot of its 100,000 members by the end of the year to elect a new leader.

The main prospective contenders are Mr Benjamin Begin, son of the late Menachem Begin, Likud's first prime minister, Mr David Levy, the outgoing foreign minister, Mr Ariel Sharon, the housing minister, and Mr Benjamin Netanyahu, Israel's spokesman at the Middle East peace talks.

The party, its morale in tatters after losing one fifth of its parliamentary strength, will also hold its first full party convention since 1985, when bitter internal arguments over its defeat and future policy will be aired.

None of the leadership contenders has yet suggested any shift away from the Likud's hardline policy of holding on to the occupied West Bank and Gaza Strip, although several leaders have acknowledged that the public spurned this. In an interview, Mr Shamir said he realised a majority of Israelis rejected the policy, but he hoped they would come to accept it.

With startling honesty, he confirmed suspicions that he was never seriously committed to the peace talks, an attitude which contributed to his defeat. Mr Shamir said he had intended spinning out negotiations on the first stage of Palestinian self-rule "for 10 years" while he filled the occupied territories with Jewish settlers.

"Moderation can only be tactical and not the goal," he said. Mr Rabin's hope of wrapping up in two weeks negotiations with the small parties that Labour needs for a majority coalition may be possible as many of these parties are eager not to be left in opposition.

As well as Meretz, an alliance of pro-peace groups which is a natural Labour partner, two ultra-orthodox religious parties have signalled their willingness to join Labour. Tzomet, an extreme right-wing party, also says it may be prepared to swallow its ideology for the sake of seats in government - as has the National Religious party, which is close to the Likud.

Reuter adds from Jerusalem: The US Congress has sent a team of investigators to Israel to probe the troubled Arrow anti-missile project.

The visit has fuelled speculation that the Arrow, a favourite scheme of outgoing Defence Minister Moshe Arens and designed to be part of the US Strategic Defence Initiative, may be axed. The missile failed in its three main prototype tests.

Brazil's worst corruption scandal has left the president's empire in tatters

Clamour grows for impeachment of Collor

By Christina Lamb in
Rio de Janeiro

WHEN Fernando Collor de Mello swept into office as Brazil's first directly elected president for 30 years, he expected to go down in history as the man who saved the Brazilian economy.

Now, with his empire in tatters amid Brazil's worst ever corruption scandal, Mr Collor seems more likely to enter the history books as the first Brazilian president to face impeachment.

In a nation obsessed by soap

operas - more people have access to television than to clean water - viewing figures are at record levels for live coverage of the congressional inquiry into Mr Paulo Cesar Farias, a close friend and campaign treasurer of Mr Collor. Known as "Collorgate", the scandal directly implicates Mr Collor and many senior presidential aides accused of running a "parallel scheme of government" to line their pockets.

Instead of glory, Mr Collor is facing calls for his impeachment. The former leader of his government in the Congress is demanding

he undergo a lie detection test while his younger brother Pedro, who initiated the investigation, insists he be submitted to medical examination to assess his sanity.

When the inquiry began four weeks ago it was expected the matter would be quickly buried.

But after the distraction of the Earth Summit, the last two weeks have seen dramatic revelations which have paralysed the economy and caused the stock market to drop 20 per cent.

Businessmen and politicians have given detailed evidence of the

alleged parallel scheme of government, telling of 30 per cent kickbacks - apparently the highest in Brazilian history - and jangling phone calls from presidential aides.

The latest bombshell was dropped by Mr Renan Calheiros, the government's former congressional leader, who said that he had warned Mr Collor of the situation 20 months ago. More damaging testimony is expected today from Mr Luis Octavio Motta Velga, a former head of Petrobras, the state oil company.

Mr Motta Velga has already claimed that presidential aides were

using the company for their own ends and he was dismissed because he would not collaborate in agreeing a \$40m interest-free loan for an airline which already owed money to Petrobras.

Although little concrete proof has emerged, a poll last week found 65 per cent of the population believes Mr Collor to be personally corrupt.

He did not help matters with an emotional address to the nation in which he could barely control his anger. Nor did Mr Mario Amato, president of the powerful São Paulo Business Federation, who, attempt-

ing to ease the situation, said "we're all corrupt". He later insisted he was referring only to the "widespread culture of tax evasion".

The only thing likely to save Mr Collor is fear of what would happen to the newly democratic system were he forced out.

Brazilian politics is highly fragmented and there is no obvious alternative candidate for the unenviable job of rescuing an economy from its third year of recession and monthly inflation of 23 per cent. Mr Collor's vice-president is widely considered unfit for office.



Nelson Mandela, ANC president, in defiant mood during a weekend rally in South Africa. He said negotiations were not the only peaceful route to non-racial democracy and promised to mobilise people power

Anger likely to mark S African funerals

By Michael Holman
in Johannesburg

A nation-wide display of grief and anger is expected to mark today's mass funeral for 36 of the 42 victims of the Boipatong massacre in South Africa.

It remains unclear who was responsible for the killings, which led to the African National Congress deciding to suspend constitutional talks with the government. But the political significance of the occasion will be heightened by its location.

The dead will be buried in the cemetery at Sharpeville, the township where in March 1960 police opened fire on an unarmed, retreating crowd, leaving 69

dead. The ANC has called for a day of mourning, and the funerals will be marked by services around the country.

President F W de Klerk has said government employees would be given permission to attend services. He urged the private sector to do the same.

Police have blamed residents of a hostel complex in Boipatong, near Johannesburg, for the killings. The incident is now being investigated by a judicial commission to which two legal experts from India and Britain have been appointed at Mr de Klerk's request.

Efforts to resolve the crisis precipitated by the slaughter continued over the weekend, with Mr Bontros Boutros Ghali,

United Nations secretary-general, accepting Pretoria's invitation to visit South Africa.

The invitation was conveyed by Mr Ek Botha, foreign minister, during talks with Mr Bontros Ghali in Abuja, the Nigerian capital, on Saturday. Officials in Pretoria maintain that such a visit is part of efforts to pre-empt the ANC, rather than a concession towards the "internationalisation" of the South African problem.

Mr Nelson Mandela, ANC president, will discuss the crisis with Mr Bontros Ghali at this week's OAU summit in Dakar, Senegal. Mr Mandela is expected to press for Security Council intervention in the form of an international peacekeeping force.

Tokyo under pressure to boost economy

By Stefan Wagstyl in Tokyo

JAPAN'S ruling Liberal Democratic Party has increased pressure on the government to boost the country's flagging economy by unveiling a package of proposals costing up to ¥6,000bn (\$47.2bn) - ¥7,000bn. The LDP's announcement, made on Saturday, comes amid intense debate among party chiefs and government officials over the need to boost the economy.

While the party has won some support for action from some ministries, including the Ministry of International Trade and Industry, the powerful Ministry of Finance has so far resisted demands for immedi-

ate increases in public spending. The Bank of Japan has also funded calls for further cuts in interest rates.

The LDP's plans were criticised in newspapers yesterday for being half-hearted because they contained no specific reference to a supplementary budget, or any other means of raising money to pay for the proposals, which include soft loans to small businesses and tax incentives for capital investment.

But by making an announcement ahead of final agreement with the finance ministry, the party achieves an important goal. It signals to the Japanese people and the outside world its willingness to increase gov-

ernment spending at a time when the economy is slowing and the US is pressing Japan to take action to revive economic growth.

The announcement has been made just before Mr Kiichi Miyazawa, the prime minister, leaves tomorrow for a meeting with President George Bush in Washington, followed by the Group of Seven summit of leading industrialised countries in Munich.

Mr Yoshiro Mori, chairman of the LDP's policy committee, who announced the package, declined to comment on the size of a possible supplementary budget. His reticence reflects party officials' caution in the face of the finance min-

Thai PM takes aim at military

By Victor Mallet and Peter
Ungphakorn in Bangkok

THAILAND'S interim government will attempt to reduce the military's role in politics and business before new elections later this year but will avoid confrontation, according to Mr Anand Panyarachun, the prime minister.

Mr Anand said his objectives were to increase participation of businessmen and the public in politics and to lower the profile of the army, which has played a prominent role in government since the end of the absolute monarchy 60 years ago.

"We have to take moderate and gradual steps," Mr Anand said. He was appointed prime minister to resolve a political deadlock after troops shot dead pro-democracy demonstrators in May.

Mr Anand's cabinet has already replaced Air Chief Marshal Anan Kalinta, former interior minister, as chairman of the Communications Authority of Thailand, which controls international telecommunications, and questioned the validity of a Thai-Malaysian fibre-optic cable contract he approved while in office.

At the same time, Air Chief Marshal Kasat Rojananil, the military supreme commander, has been criticised by his employees and the media in his role as head of Thai Airways International, the national airline whose shares are due to start trading on the stock market next month. Critics of the military want him and other military commanders to be punished for the shootings.

At the weekend General Banchoo Bunnag, the new defence minister, said the armed forces would have to be restructured and depoliticised. "Soldiers should be soldiers," he said.

Mr Anand said the military was accepting that the role of the armed forces in Thai society was changing, a view endorsed by Lt Gen Surayuth Chulanont, commander of the Special Warfare Command, who told a university seminar last week that most in the military wanted to stay out of politics.

The prime minister said he expected to call elections soon, probably for September.

On the economy, he said his government would seek to entrench reforms introduced during his previous premiership between February 1991 and March this year.

"In my previous government we enacted so many laws, we overhauled the tax system, we reorganised the financial regime and trade regime and now is a period of consolidating that process," he said. Reluctant trustee, Back Page Section II

Ex-Reagan adviser steps in over BCCI

By Alan Friedman

MR WILLIAM CLARK, a former national security adviser to President Ronald Reagan, has been retained by the UK committee of creditors of the Bank of Credit and Commerce International (BCCI) to try to persuade the Abu Dhabi government to improve terms of the \$1.2bn settlement payment agreed with BCCI's liquidators.

In an affidavit filed recently in the High Court in London, Mr Clark said he was hired on May 23, 1992, and met senior Abu Dhabi officials on May 26 and 27 to discuss the settlement.

Abu Dhabi was the majority shareholder of BCCI. The Clark mission included a meeting with Sheikh Mohammed bin Zayed Al-Nahayyan, a son of Sheikh Zayed, the Abu Dhabi ruler, who had been asked by his father to deal with the BCCI affair.

Mr Clark said in his affidavit that, prior to meeting Sheikh Mohammed, he conferred with Mr Richard Walker, US ambassador to the United Arab Emirates, and Mr Graham Burton,

the British envoy. It has also been learned that Mr Clark consulted senior officials of the Bush administration before undertaking his trip to Abu Dhabi.

The hiring of Mr Clark, one of former President Reagan's closest associates, appears to be an attempt by the UK creditors to bring an authoritative figure into their struggle for a better pay-out than is on offer. The UK creditors have argued the BCCI settlement is inadequate.

The High Court in London has approved the BCCI settlement and a Luxembourg court may issue its ruling tomorrow, but it is understood Mr Clark plans to pursue his effort whether or not Luxembourg agrees the BCCI creditors' accord. Included in Mr Clark's efforts may be a visit to Saudi Arabia and other countries in the Middle East for consultations.

Isle of Man depositors with BCCI are pressing their government to improve the amount and terms of compensation. The matter will be raised in the House of Keys today. Under the present plan, any money received from Abu Dhabi would be set against payments from the island's scheme.

NEWS IN BRIEF

Strong quakes hit south California

TWO powerful earthquakes, including the biggest in the US for 40 years, rocked southern California yesterday, killing a small child, injuring about 100 people and destroying buildings in remote desert areas, Reuters reports from Los Angeles.

The first earthquake, the third strongest to hit the US this century with a magnitude of 7.4 on the Richter scale, came before dawn and was felt from Los Angeles to Phoenix, Arizona, 370 miles away.

A second quake - measuring 7.0 - rumbled through the area three hours later, causing rock slides and cracking key roads. The quakes were bigger than the tremor that hit the San Francisco area in 1989, killing 70 people and causing billions of dollars in damage.

All residents in the three states affected - California, Arizona and Nevada - said the most frightening feature of the quakes was the length of time they went on for, with many people reporting they were rocked for up to 30 seconds.

Afghan president named

Professor Burhanuddin Rabbani, a 50-year-old Islamic scholar and guerrilla leader, was yesterday named president of Afghanistan, the fourth man to hold the post in 10 weeks, Reuters reports from Kabul.

Mr Rabbani is the second president of the Islamic government of Afghanistan, established by rebel forces in April after the capture of Kabul following 14 years of civil war.

He took over from Sibghatullah Mojaddedi, who served two months under an agreement signed by resistance leaders in the Pakistani city of Peshawar before Kabul fell.

Korean candidate quits

Mr Lee Jong-chan, who unsuccessfully challenged Mr Kim Young-sam for the presidential nomination of South Korea's ruling Democratic Liberal party (DLP), has dropped plans to stand as an independent in the December elections, writes John Burton in Seoul.

His withdrawal should improve the chances of Mr Kim. Mr Lee threatened to erode Mr Kim's support among DLP voters. Mr Kim is now the leading candidate in opinion polls, one recent survey gave him 33.3 per cent support, against 31.3 per cent for Mr Kim Dae-jung of the main opposition Democratic party.

Sri Lankan offensive

More than 5,000 Sri Lankan troops launched a joint air, sea and ground offensive against Tamil separatists yesterday, Reuters reports from Colombo. The aim of the operation in the north of the island was to "destroy as many rebels as possible and deplete their cadres", a military spokesman said.

Seven battalions numbering more than 5,000 soldiers were advancing on two fronts, north and south of Vettikalimal, a beach front in the Jaffna peninsula, meeting little resistance from Liberation Tigers of Tamil Eelam separatist guerrillas, who control much of the peninsula, officials said.

Mongolians go to polls

By camel, tractor and foot, Mongolia's voters went to the polls yesterday to decide if the former Communist party which ruled the country for more than seven decades will keep its grip on power, Reuters reports from Ulaan Bator.

Officials reported high early turnout in grassland voting stations and in the capital as 293 candidates vied for 70 seats in Mongolia's new single-chamber parliament, the first elected under a new constitution which enshrines the concepts of human rights and private ownership of property.

Air cover for Kurds extended

The Turkish parliament renewed the mandate of an allied deterrent force protecting Iraqi Kurds from attacks by Baghdad, Reuters reports from Istanbul.

Parliament voted 228 against 136 to extend for six months the presence of the western "Rapid Reaction Force" - US and British air force craft left behind by the allies after they defeated Iraq in the Gulf war.

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OECD dusts
off image of
houseworkBy Peter Marsh,
Economics Staff

HOUSEWORKERS' unrecorded labours are adding up to 44 per cent to world output, according to a study by the Organisation for Economic Co-operation and Development.

Unpaid domestic tasks such as cooking, cleaning and changing nappies normally do not count as economically important, on the grounds that no money changes hands. OECD economists say this approach ignores the intrinsic value of domestic activities.

They say governments should do more to add up the value of housework. One way of ascribing value to unpaid domestic duties is to calculate the earnings of a typical "houseworker" if he or she had a job in the orthodox economy.

Nigerian court to decide
on treason trial today

By Julian Ozzanne in Lagos

A Nigerian magistrates' court will decide today whether to proceed with the treason trial of five detained political activists. The case, which has become Nigeria's most burning political issue, has pushed to the sidelines this week's parliamentary elections.

A decision to continue the prosecution of the five men, despite a restraining injunction issued by a Lagos High Court last week, is likely to fuel the confrontation between Gen Ibrahim Babangida's military regime and human rights activists.

The case has come to the forefront as the government enters the last critical six months of its precarious transition to civilian rule. Nationwide elections for Nigeria's Senate and House of Representatives are due to take place on Saturday, the first parliamentary elections after nine years of military rule.

The five men were all arrested in a clampdown last month following violent riots over fuel shortages and the inflationary impact of a big devaluation.

The military
government has
been accused
of gross
mismanagement
of the economy,
incompetence
and widespread
corruption

Association of Nigerian Students

Shortly before Dr Ransome-Kuti's arrest the Campaign for Democracy issued a statement accusing the military government of "gross mismanagement of the economy, incompetence and widespread corruption".

Two weeks ago the five were arraigned in a magistrates' court in Gwagwalada, 65km from Abuja, the new federal capital. They were charged with conspiracy to treasonable felony by attempting illegally to compel the government to its programme for transition to civilian rule.

The activists have argued that the transition programme is thoroughly flawed, is not democratic and is being dictated and manipulated by the military to ensure that the army will return to power.

They have called for a national conference to decide Nigeria's political future. Last week the EC added its voice to criticism about the detentions.

Industry Initiatives for Environmental Conservation



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INTERVIEWS/SPEECHES: BRITISH GOVERNMENT REPRESENTATIVE
EUROPEAN GOVERNMENT REPRESENTATIVE

KEYNOTE SPEAKERS: DR. LESTER R. BROWN
(PRESIDENT - WORLDWATCH INSTITUTE)
PROFESSOR DAVID BELLAMY
(DIRECTOR - CONSERVATION FOUNDATION)

PANELISTS: DR. BERND VON DROSTE
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NEWS: UK

LLOYD'S OF LONDON

Independent office to handle insurance claims

By Richard Lapper

A NEW independent office to handle claims at Lloyd's, the London insurance market, is to open next month. The change, intended to raise the efficiency of claims processing, is part of a broader rationalisation of the troubled market.

This week, the future shape of regulation and governance of Lloyd's will be the subject of two major reports. On Wednesday, the Lloyd's Council, the market's governing body, will

consider a report on these issues from Sir Jeremy Morse, chairman of Lloyd's Bank.

On Thursday, a second committee, headed by Sir David Walker, the chairman of the Securities and Investments Board, which has investigated allegations that working Names have benefited at the expense of outside Names, will present its conclusions. Names are members who risk their personal capital in the market.

Last week Lloyd's reported its worst ever losses - announcing a deficit of

\$2.06bn for the 1989 year - in line with its three-year accounting system.

The new Lloyd's Claims Office (LCO), which will be given more freedom to operate along commercial lines than the marine claims office which is currently part of the Corporation, will process claims on policies underwritten by its 278 syndicates.

The new office will also assume the functions of the aviation and non-marine claims offices, which are owned by associations of Lloyd's underwriters. The LCO, will have more freedom

to set staffing levels and pay than its predecessor and will also be free to buy in outside services rather than depend exclusively on the Lloyd's Corporation's own resources.

The change reflects broader pressure from the market's underwriters and agents at Lloyd's and may well be an indicator of the direction of future changes in the operation and management style of the Lloyd's Corporation itself.

According to one agent: "You could say this is the way we'd like the

whole Corporation to be run."

In the past agencies and underwriters have criticised what they have seen as excessive bureaucracy at Lloyd's of London and have claimed that the Corporation's leadership has been out of step with thinking in the market itself.

Further details on the losses of the worst performing syndicates, those managed by the Gooda Walker agency which clocked up combined losses of more than £490m, will also be announced this week.

Scrutiny planned of secret services

By Philip Stephens, Political Editor

BRITAIN'S intelligence services are to be subjected to parliamentary scrutiny for the first time in their history as part of Mr John Major's drive for more open government.

Senior government officials confirmed yesterday that the Cabinet committee charged with oversight of MI5 and MI6 had agreed in principle to legislate to set up a parliamentary watchdog to oversee their activities.

The watchdog - likely to be drawn from all of the three main parties - would be given authority to review the policies of the domestic and overseas intelligence policy. It might also be given the right to investigate particular intelligence operations.

Its deliberations would remain secret, but it might be permitted to publish general policy recommendations.

Mr Major, who chaired the ministerial meeting which last week approved the new system of scrutiny, has already announced that he intends to legislate to put MI6 - the overseas intelligence service - on the same statutory basis as MI5, its domestic counterpart.

Last month, the prime minister confirmed formally, for the first time, the existence of MI6 and named its chief, Sir Colin McColl. MI5, was put on a statutory basis in 1989 but is only accountable to parliament through ministers.

Both services would be treated in the same way under the new system, with a complaints procedure for MI6 being set up along the lines of that already operating for its domestic counterpart. Complaints by members of the public or by employees against MI5 are examined by a government-appointed commissioner.

The government officials said a number of further ministerial meetings would be needed to hammer out the details of the new scrutiny, but the government expects to pass the necessary legislation within the next year.

UK economists call for sterling devaluation

By Peter Marsh, Economics Staff

BRITAIN should consider devaluing sterling within the European Exchange Rate Mechanism (ERM) as part of a package of measures to stimulate the economy and cut government borrowing, according to economists at London Business School.

In the school's latest Economic Viewpoint, Professor David Currie and Mr Geoffrey

Dicks say the Bank of England rather than the Treasury should be given responsibility for setting interest rates and reducing inflation.

They say the combination of these moves would keep confidence in sterling on financial markets relatively high, while the effects of devaluing sterling would help Britain's international competitiveness.

According to the economists, Britain "remains in severe recession" with economic

growth of just 0.1 per cent likely this year.

Unemployment is likely to rise to 3m by mid-1993, with the public sector borrowing requirement (PSBR) increasing from £30bn in the present financial year to £34bn in 1993-94.

In these gloomy circumstances, a devaluation could help Britain to bring borrowing under control. It could be a prelude to tough measures by the Treas-

ury to constrain increases in public spending for the coming financial year.

Unless action is taken, the increases in prospect for the PSBR might undermine confidence in sterling.

The economists say that reducing the pound's central DM2.95 rate in the ERM should be considered only in the context of the other measures proposed. To reduce the value of the pound in the ERM by itself "would be a very serious mis-

take" as it could lead to investors selling sterling and an upsurge in inflation.

Letting the Bank set UK interest rates would assure markets that decisions over monetary policy were free from political influences.

It would thus aid confidence in sterling, even in the event that the ERM suffered a loss of credibility as a fall-out of further turbulence on the road to European economic and monetary union.

Thatcher sets stage for conflict on Europe

By Philip Stephens, Political Editor

IF MR JOHN Major hoped Mrs Margaret Thatcher's elevation to the House of Lords would signal a period of silence they were shattered by her onslaught yesterday on all things European.

The starting passion with which Mrs Thatcher denounced Maastricht has set the stage for a series of confrontations over the next few months. As warning for the government, she signalled that as the standard-bearer of the Conservative rebellion on Maastricht, she would feel free to attack her successor.

Her warning that Britain could not expect economic recovery until it decoupled its borrowing costs from German rates echoed attacks by rebel Tory MPs on the Exchange Rate Mechanism (ERM).

Mrs Thatcher, who was persuaded by Mr Major two months before her resignation to take sterling into the system, was careful not to advocate ERM withdrawal. But she firmly backed the calls for immediate cuts in interest rates to get the economy moving again - if necessary at the expense of a devaluation of sterling against the D-mark.

A high interest rate policy which was tight for Germany, she declared, was causing growing unemployment in Britain: "You will not get economic recovery in this country



Backseat driver: Mrs Thatcher wants prime minister John Major to change direction on European monetary and political union

while this interest rate stays as high".

But it was on the future of Europe that Mrs Thatcher was at her most scathing. For her Maastricht is irredeemable. Even with its opt-outs for Britain on monetary union and the social charter it would strike at the heart of parliamentary democracy. It would create a European Union with its own citizenship, currency,

foreign and defence policies: "It is the structure of a federal state".

Mrs Thatcher dismissed the principle of "subsidiarity" which the prime minister has put at the centre of his approach to European integration. She attacked directly his decision to back the extension of Mr Jacques Delors term as European Commission president. She applauded the Dan-

ish vote against Maastricht, arguing it had "saved parliamentary democracy in this country".

If Mr Major pressed ahead with ratification of the treaties, she warned, she would vote against. Even if Mr Major's leadership was threatened by such a rebellion - and Mrs Thatcher said she did not believe it would be - opponents of Maastricht in the

Tory party should "vote on what you believe".

Ministers, however, believe that if the legislation to ratify Maastricht is framed as a vote of confidence in Mr Major then only a small hard-core of Tory "irreconcilables" will in the end vote against it. Until then they acknowledge that Mrs Thatcher is likely to provide a focus for a damaging and distracting rebellion.

Britain in brief



Kinnock says election defeat was inevitable

Mr Neil Kinnock realised four days before the April 9 general election that his party's internal strife during the early 1980s would lead to its fourth consecutive defeat.

Speaking two weeks before he stands down as party leader in mid-July, Mr Kinnock said that his personal instincts and polling data had signalled on the Sunday before the election that Labour had not done enough to win back the trust of the electorate.

Between 4 and 5 per cent of the electorate did not have sufficient trust in the party because of the "months of turmoil" under the last Labour government in the 1970s and the "years of conflict" in the early 1980s.

Difficult Ulster talks expected

The UK and Irish governments are preparing for a potentially difficult meeting tomorrow on the future of Northern Ireland that looks likely to bring the Rev Ian Paisley, the hardline Democratic Unionist Party leader, face to face with Irish ministers.

The London meeting, agreed only after two weeks of wrangling between the two governments over dates, will officially be to "give preliminary consideration to the issues likely to arise" in the third "strand" of the nine-week-old all-party talks process - on relations between the two countries.

Unionists regard the meeting as a crucial time to press for the removal of the Irish constitutional claim on Northern Ireland.

Whaling ban under threat

The six-year moratorium on commercial whaling will come under renewed challenge this week as 37 nations gather in Glasgow for the annual meeting of the International Whaling Commission, which regulates whaling around the world.

Three countries, Japan, Norway and Iceland, which still have whaling industries, are pressing for a resumption of the hunting of minke whales whose stocks, they argue, have recovered sufficiently to permit resumed whaling in the Antarctic and north Atlantic.

But the resumption of commercial whaling will be challenged by nations led by France which is proposing the creation of a whale sanctuary in the Antarctic where no commercial whaling would be per-

mitted. France is backed by Britain and other European countries.

IBM forms new alliance

International Business Machines (IBM), the world's largest computer manufacturer, has formed an alliance with Videologic, a small UK electronics company, to accelerate the growth of one of the most promising new computing technologies.

The technology, "multimedia", combines computer text and graphics with moving video images and stereophonic sound on a personal computer screen. It promises to bring greater ease of use to computing applications ranging from business analysis to games.

Industry experts believe the development of multimedia applications could rejuvenate the personal computer sector, which is flagging because of market saturation and a decline in product innovation.

Training urged for teenagers

A unified system of vocational education and training for all young people between the age of 16 and 18 is needed to improve the quality of the UK's workforce, according to a discussion paper published today by the National Commission on Education.

The paper proposes that all 16-18 year olds should follow a common core curriculum of mathematics, science, technology, English and another European language, whether in full-time education, on youth training or in apprenticeships run by employers. One option would be for the government to extend the national curriculum to age 18, with a fifth key stage.

Law mystifies most Britons

Seventy nine per cent of Britons see British law as "a bit of a mystery", according to a survey by General Accident, the Perth-based insurance company. It also said that people were in for an unpleasant surprise when they got their lawyers' bills. Most of them expect solicitors to charge under £50 an hour when the true rate was from £50 to £150 an hour.

Crash-course for bankers

Top central bankers from the republics of the former Soviet Union will enroll in London today for a special two week Bank of England seminar to learn the tricks of their trade.

The Bank's Centre for Central Banking Studies is expecting to play host to the heads of 10 of the 15 central banks set up since the collapse of the Soviet Union, including those of Russia, the Ukraine and Kazakhstan.

Le Times avec une carotte.

THE WINSTON

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The departure of Robert Horton raises questions about whether the cultural revolution he sparked at BP will be sustained. Christopher Lorenz argues that the changes are here to stay

Oil and troubled waters

In a smart hotel in rural England, some two dozen besuited senior BP managers take their places around a conference table almost as long as a cricket pitch.

They glance nervously around, or chat tensely to neighbours whom they scarcely know – the company has had precious few such get-togethers in previous years, and a surprising number of senior managers hardly ever meet each other.

For the next 24 hours, in an intense atmosphere which veers between scepticism and enthusiasm depending on the speaker, they debate their incoming chairman's radical proposals for changing how the company operates and for transforming the way that people – including themselves – behave within it.

Over the ensuing 18 months a series of such meetings takes place, sometimes over several days. Each time the atmosphere becomes less formal, more positive and much more cohesive. The suits give way to casual dress. People get to know and trust each other, and express their real opinions more openly.

The quotient of jokes rises, as do incidents of the chairman being teased, or making cracks against himself about his supposed infallibility, or his "running for Pope". Managers trade stories of how the reform campaign is being turned eagerly into action by employees at various levels in their own parts of the company.

Then, as BP's financial performance turns from satisfactory to dull, and finally dire, a stripped-down version with just the dozen top managers, lasting less than a day, is held in a head office room with no windows. The heads of several of the company's constituent businesses agree that rampant fear about job security throughout BP now risks interfering with further progress of the reform campaign. The mood is sober and decidedly worried. But the communal drive for further reform is still evident.

This was how, over a two-year period between December 1989 and last Christmas, the atmosphere shifted as Robert Horton's top lieutenants at British Petroleum got together repeatedly with him to discuss the progress of his ambitious corporate "culture change programme", and to agree successive next steps. There have been two further such meetings since then.

Last Thursday Horton resigned, ousted by his non-executive directors with at least the tacit compliance of his senior executives. The immediate causes of his departure were his dividend policy and his forceful, if not abrasive, management style. The latter went down so well in his previous job – streamlining BP America in the late 1980s

– that it helped catapult him into the chairmanship of the group. But in the last few months it caused growing unease in the City of London, as well as among BP's non-executive directors.

But there have also been suggestions that an internal backlash against his culture change programme could have played a part in his downfall. In its early stages, the programme was rather American-style. Did some of his senior British managers, having prospered in BP's traditional "command-and-control" culture, tolerate the changes at first but finally find them too hard to stomach? If so, does this suggest that dramatic changes in culture may be less feasible in a British environment than they are in the US?

The core objectives of Horton's

Abrasive leaders with an all-powerful air may be admired in America, but in most parts of Europe they still tend to be distrusted

programme were, to use consultancy jargon, both "hard" and "soft". The "hard" side was the replacement of BP's traditionally hierarchical, committee-ridden structure with a flatter, "decentralised" organisation. Hence the successive rounds of staff cuts since March 1990 at BP's various head offices – corporate, regional, and divisional. With the added impetus of the recession, these are still continuing – with a vengeance.

To make this flatter structure work effectively – as well as to cut costs, speed decision-making, and improve management morale – Horton also determined to re-engineer the "soft" side of BP. To do this, he set out to demolish its old culture of bureaucracy, stuffiness, lack of delegation, rampant mistrust, and constant second-guessing – both by bosses of their subordinates and of each other.

In its place would be bred a culture of "openness, care, teamwork, empowerment and trust". Many of the culture change workshops

which were run in the year after Horton's assumption of the chairmanship in March 1990 helped managers understand what was meant in practical terms by this, and by "essential new behaviours" such as "networking" – sharing information informally.

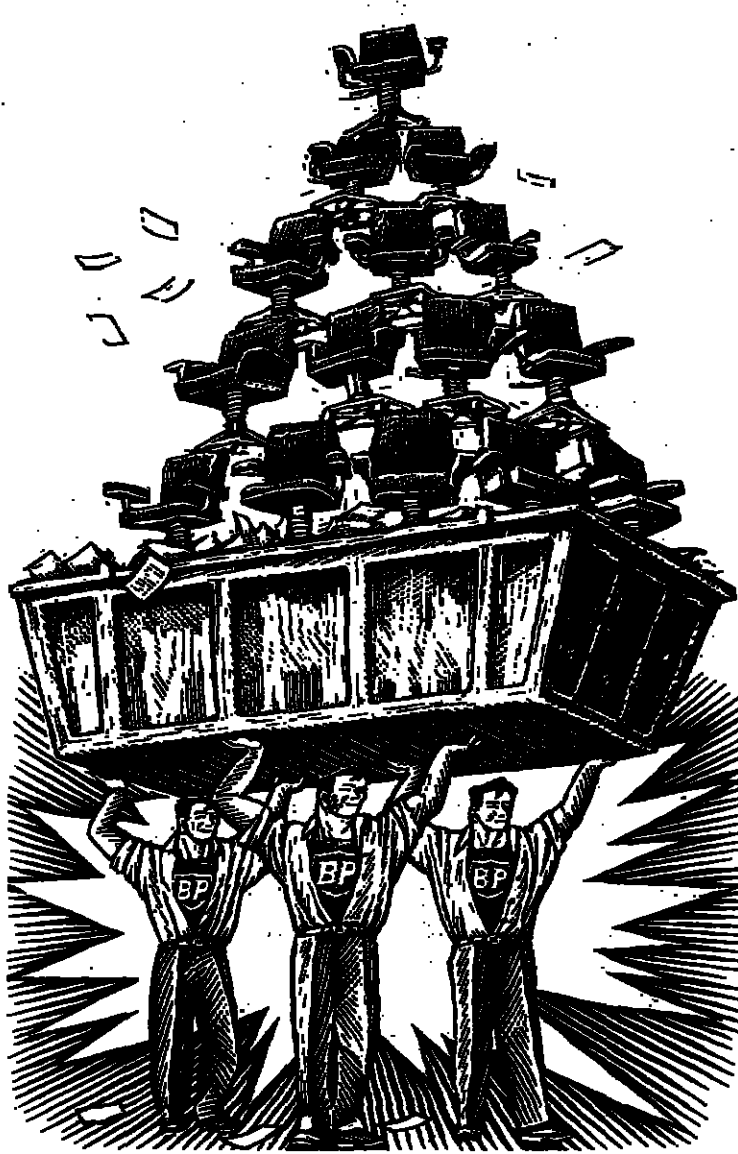
By March 1991, what had begun as Horton's culture change programme had become "owned" (to use jargon again) by almost all his top managers – a group by then shown through retirement of several of the older and more recalcitrant barons. What had been "his" had become theirs.

Rather than espousing all sorts of reformist behaviour in which they did not really believe, some of the top managers who had prospered most in the old "command and control" regime had really embraced it. The most important was David Simon, who had been Horton's rival for the chairmanship.

Simon had been expected to be a conservative brake on the culture change process, but in both words and action he emphasised repeatedly his commitment to the values which underpin it. He did so again on Friday, after he had taken over as chief executive.

Back in 1990, a memorable early internal expression of his support and commitment was a statement that people might expect him to be the rock on which the culture change would founder, but he would actually be one of the rocks on which it was built. This was an oblique reference to Simon Peter, one of Jesus' best-known followers; the word Peter means "rock".

In February 1991, Simon also put his strong support on public record, at a conference on the management of change. "I stand four-square with Bob Horton on triggering this change throughout BP," he said. "We senior managers at BP want a nimble, new culture for our company. New cultures – new behaviours and new motivations – are taking over the business world fast these days."



people. He has also supported an intensive culture change and development programme for the managers and other employees beneath him. It has already had all sorts of pay-offs, in terms of greater staff involvement, productivity and performance.

One example is of an American refinery where much greater employee involvement in decision-making has improved its operating reliability from barely 80 to almost

100 per cent, with the result that it was impressively profitable last year after a decade of almost constant losses.

With hard men such as Simon and Seal having become true converts to the new culture – even if they dislike some of its attendant jargon – it is hard to sustain the argument that part of Horton's undoing was his application of a rather American-style change programme to a company which,

despite its considerable US presence, is still heavily British.

Nor, even if it were true, should one apply such a conclusion to other British companies. In slightly different ways during the 1980s, the cultures of both British Airways and ICL were transformed out of all recognition by programmes somewhat similar to BP's.

Both these companies had the immeasurable advantage over BP of launching their programmes at a time of considerable external crisis brought on by intense competition; crisis is one of the most powerful factors in successful corporate culture change.

In pushing through the change programme which he (rightly) felt was vital to BP's long-term survival, Horton would have had an easier task if the company had been facing the sort of strategic crisis which it now confronts. Instead, he had to play up the importance of an almost irrelevant – lack of morale in BP's managerial ranks.

With help from an adept set of consultants – including several Americans – the corporate programme and its sister efforts within BP's various businesses have had a surprisingly quick impact. But, as at BA and ICL, they will have to run for several more years if they are to anchor the new behaviours fully in the company's collective subconscious. After showing initial impatience, Horton was fully aware of this – as is Simon.

So it is not Horton's culture change process which proved too American for BP and its board to swallow. Rather, it was his own management style. Abrasive leaders with an all-powerful air may be admired in America, but in most parts of Europe they still tend to be distrusted.

Perfect evidence of this culture gap was contained in the now infamous interview which Horton gave to *Forbes*, an American business magazine, and which was published in February just as the full magnitude of BP's financial problems began to be outwardly apparent. It has been quoted widely for Horton's extraordinary comment that he sometimes had to wait impatiently for subordinates to deal with some of BP's problems. "Because I am blessed by my good brain," he said, "I tend to get to the right answer rather quicker and more often than most people" – by clear inference, his colleagues.

Whereas most British readers gasped at this statement, the *Forbes* interviewer praised him for showing "precisely the mix of self-confidence and personal discipline" required to run an organisation as sprawling and complex as BP.

In some respects, there is indeed a yawning gulf in transatlantic management attitudes.

Keeping up to the mark

"BENCHMARKING" a company against its competitors is becoming a popular way of identifying management weaknesses, setting realistic targets and improving performance.

However, one of the biggest obstacles to a benchmarking exercise is the difficulty of obtaining accurate information about competitors, particularly foreign ones. Ernst & Young, the international management consultancy group, has launched a new service which aims to overcome this problem.

The service has been built around the results of the International Quality Study which was commissioned by the American Quality Foundation last year. The study was based on a questionnaire sent to 550 companies in Canada, Germany, Japan and the US, in the motor, computers, banking and healthcare sectors. It generated a database containing 1.5m pieces of information.

The questionnaire addressed more than 100 areas of management practices in business organisation, product and service development, delivery process and customer satisfaction, quality and strategic positioning, and corporate culture. As a result, Ernst & Young claims it can now offer a benchmarking service, including a detailed report, which will allow companies to compare themselves with some of the best managed organisations in the world.

The service is just one example of a recent proliferation of reports, books and conferences about benchmarking. Among the most practical reports are two by Mohamed Elzari from the University of Bradford Management Centre in the UK.

Competitive Benchmarking explains the concept, provides implementation guidelines and highlights the benefits while TQM-Based Performance Measurement discusses the shortcomings of existing measurement systems and gives examples of quality based measurements.

By Paul Taylor

*Competitive Benchmarking, £26.50, TQM-Based Performance Measurement, £25.95, from Technical Communications Publishing, Tel 0462 679987.

CONFERENCES & EXHIBITIONS

JUNE 30
Industry Initiatives for Environmental Conservation
A symposium chaired by John Humphrey will be held by FT and the Conservation Foundation, in partnership with MAZDA. Speakers include David Bellamy and Lester Brown. The symposium is by invitation, but limited places will be available through: Osprey Communications Ltd, Tel: 071-437 1432. Fax: 071-437 1432. LONDON

JULY 1
Investment Opportunities in Sweden
Mr Per Westerberg, Swedish Industry Minister will give the keynote opening address on Sweden's industrial policy and privatisation programme. The reform of corporate tax structure and changes in corporate legislation will also be reviewed. Enquiries: Financial Times, Tel: 071-925 2323. Fax: 071-925 2125. LONDON

JULY 2
Environmental Issues of Land Ownership
This half-day seminar will provide practical guidance on what landowners or investors can do when faced with the problem of contaminated land. Contact: Sharon Brook, ICC, 071-233 3766. LONDON

JULY 6 & 7
Telecommunications & the European Business Market
The liberalisation of the European telecommunications market, the new alliances that are being formed to meet the global communications needs of business customers. Enquiries: Financial Times, Tel: 071-925 2323. Fax: 071-925 2125. LONDON

JULY 6 & 7
North Sea Oil & Gas
The conference will review North Sea activity and examine the opportunities and challenges facing operators and suppliers. Enquiries: Financial Times, Tel: 071-925 2323. Fax: 071-925 2125. LONDON

JULY 14 & 15
Financial Skills for the Profit Motivated Manager
Practical, in-depth knowledge for non-financial executives. A two day course enabling you to implement financial and accounting techniques and enhance your profitability. Contact: FIBEX, Tel: 071-489 9944. Fax: 071-236 6140. LONDON

JULY 15
Coal Privatisation: Who Gains, Who Loses
A one-day seminar examining the impact of the coming privatisation of British Coal: on the future pattern of use, coal sourcing and profitability of production and supply in the UK. Contact: McClelland Coal Information Services Ltd, Tel: (0730) 265095. Fax: (0730) 260044. LONDON

JULY 16
The Future of Small Businesses in London
One day conference organised by London Industrial PLC. Among the speakers are Baroness Dames of Wakefield, small firms minister, Chris Smith MP, and Simon Hughes MP. Contact: Margaret Edwards, Tel: 071 538 1322. Fax: 071 538 9644. LONDON

SEPTEMBER 2-3
World Aerospace & Air Transport
Changes in the structure of the world airline and aerospace industry, the impact of the Single European Market in air transport and its implications in the globalisation process will be under discussion. Enquiries: Financial Times, Tel: 071-925 2323. Fax: 071-925 2125. LONDON

SEPTEMBER 15-16
LEARNING WITH THE BEST
A workshop for Quality. Sponsored by PA Consulting Group. Speaking organisations include: Marks & Spencer, Toyota UK, Hamilton Bank, Land Rover, Midlands Electricity, Ocean Group, BSS UK, and Post Office Counters. Contact: FIBEX, Tel: 071-489 9944. Fax: 071-236 6140. LONDON

SEPTEMBER 17 & 18
Introduction to M & A in Europe
If you are considering a European acquisition, there is a 50% chance that it will fail. Minimise the risks by taking advice from top experts who will take you through the acquisition maze in Europe. Contact: Acquisitions Monthly, Tel: 071 823 8740. Fax: 071 581 4331. LONDON

SEPTEMBER 29 & 30
MANAGEMENT BUY-OUTS: THE ROAD AHEAD
Is a buy-out the best option? What is the vendor's attitude to the buy-out? How do you structure equity and debt to your best advantage? All this and more will be covered at this essential event. Contact: ACQUISITIONS MONTHLY, Tel: 071 823 8740. Fax: 071 581 4331. LONDON

OCTOBER 7
Business And The Environment
A practical guide on how to achieve maximum success through implementing an environmental policy. Sponsored by Price Waterhouse and Berwin Leighton. Contact: FIBEX, Tel: 071-489 9944. Fax: 071-236 6140. LONDON

NOVEMBER 9-13
The 1992 International Downgrading Summit
IBC present a comprehensive 5 day programme of events led by industry experts, encompassing both technical and managerial aspects of Downgrading. The week includes several invaluable presentations given by users detailing their experiences. Contact: Julia Cox or Lisa Minoprio, IBC Technical Services Ltd, Tel: 071 637 4383. LONDON

JANUARY 20
Privatising British Railfreight & Open Access
A conference examining the Government's plans for privatising the railfreight activities of BR and the implications of Open Access. Speakers include Rt Hon John MacGregor MP, Secretary of State for Transport. Contact: Iain Dale, the Waterfront Partnership Tel: 071 730 0430. Fax: 071 730 0460. LONDON

JULY 10
The Future of the Yorkshire Coal Field
Special half-day seminar sponsored by UK Coal Review. Major industry figures will review the future of the UK's largest coalfield. Full details contact seminar hotline - Tel/Fax 0909 770571. ROTHERHAM

SEPTEMBER 14-16
Elasid '92
Conference & Exhibition on electronic data interchange for open systems in business and administration. From EDI to Multimedia through Image Interchange and Integrators (CALS, EPIC, OTL...) By the core team who launched the EDI concept in Europe. Information: Xcon International SA, Tel: +32.10.41172. Fax: +32.10.411742. BELGIUM

SEPTEMBER 16-19
MADENCIK/MINING '92 - International Mining Exhibition
Representatives of the Turkish and International Mining Community will meet at this four day exhibition. Exhibitors demonstrating state-of-the-art products, services and technology. Please contact Ms Serra Tatlasi for further information Tel: (901) 274 23 83/86/87. Fax: (901) 273 27 24. ISTANBUL

SEPTEMBER 28 - OCTOBER 3
Offshore Banking
The Chartered Institute of Bankers and the University of Malta. Course in offshore banking and financial services covering investment management, correspondent banking, counter trade etc. Contact: GRI Hannon, CYR, 071-623 3531. Fax: 071-629 4301. MALTA

OCTOBER 5-6
Competitive Intelligence
Strategies, Objectives, Organization, Sources, Techniques, Tools, Analysis. Seminar presented by Kirk Tyson, author of "Competitive Intelligence Manual & Guide". For executives and analysts with planning, business development, and research responsibilities. Also in BRUSSELS \$49 October. Contact: IIB SA, Geneva, Switzerland. Tel: (41) 22 788 2751. Fax: (41) 22 788 2726. BERLIN

NOVEMBER 23-27
EUROPEAN FINANCE CONVENTION
Keynote Speakers: Robin Leigh-Pemberton, Erik Hoffmeyer, Alexandre Lamfalussy, Philippe Lagarde, Hans Tietmeyer, Ernst-Günther Belldor. Focusing EMU/ECU/Eurozone Capital Markets/Eastern Europe/Innovative Financial Services. Workshop/Exhibition/round tables/receptions. Attendees: Contact: Claudio Casarini Tel: +4471 381 9291. Fax: +4471 381 9312. BRUSSELS

FEBRUARY 12 & 13 '93
EC and India - New Trading and Investment Opportunities
The Legal, Financial and Commercial Issues. Successful inward investment, impact of Indian laws on foreign trade, contractual relations with Indian Government, environmental effects, banking and capital market law. Contact: Sarah Avriat, IBC Tel: +44 71 637 4383. Fax: +44 71 631 3214. NEW DELHI

EXHIBITIONS
JUNE 30 - JULY 1
European Futures and Options Exhibition
A chance to view the latest products and services from companies/international exchanges in this expanding industry. FREE entry - The Brewery, Chiswell St, London EC1. Associated seminar programme. Futures and Options World Tel: (081) 330 4311. Fax: (081) 337 8943. LONDON

NOVEMBER 22-25, 1993
INNOVATA 93
Innovation by materials - International Exhibition Congress, Presenting materials for development in products and modern technologies including devices, equipment and processes for manufacturing, testing, treatment, application and recycling. Deadline for exhibitors: November 30, 1992. Contact: DEHEMA e.V., D-6000 Frankfurt, Tel: 069/7564-207-230. Fax: 069/7564-298. LEIPZIG/GERMANY

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Sir James Stirling, who died last week: unquestionably the most interesting architect in Britain

Architecture/Colin Amery

The death of an original mind

The sudden death of the British architect Sir James Stirling last week is both a real shock and a serious loss to late 20th-century architecture. He was unquestionably the most interesting individual architect in Britain and his talent had been recognised by a knighthood just twelve days before his death. In the obituary notice last Friday in the *Financial Times*, the day after his death, the facts of his career and some of the reasons for his international importance were spelled out. It seems appropriate in this column today to pay a personal tribute to his talent as an architect.

There is no doubt that Stirling was by far the most original and influential architect of his generation and it was this very originality that made his work controversial. He took enormous risks, sometimes risks that endangered the very buildings he was creating. I recall the way he worked in his old office in Gloucester Place, London. There was never any doubt that he was the fount of original ideas and needed a good staff to understand, interpret and build them. He had brilliant partners, James Gowan at the beginning, in the 1960s, enabled him to combine engineering and architecture in a unique way. Later Leon Krier had a great influence on his thinking. Michael Wilford has persistently supported him and will now carry the burden of the practice. But the originality was Stirling's and that cannot be replaced.

James Stirling thought about architecture as an artist and he was one of those rare people who think in three dimensions. At the Royal Academy exhibition devoted to the work of Norman Foster, Richard Rogers and Stirling in 1986 the public had the opportunity to see his remarkable axonometric drawings, which both explained how the buildings were conceived and how they would look. I remember introducing Stirling at his Royal Institute of British Architects lecture, when he explained his enthusiasm for the marine engineering drawings produced by his father. There was definitely a fusion between his understanding of engineering and his love of form that brought an unusual plasticity

to his architecture. He also saw, as sculptors like Anthony Caro saw, that the materials of engineering have in themselves a sense of art.

Stirling was an artist. He saw the world as an artist and possessed that vital ability to refuse to compromise, which can mark genius. As an artist/architect he fed his sensibilities widely. His house in Hampstead demonstrated how much he was a man of taste and sensibility - and how well he was supported in this by his wife, Mary, a furniture designer and daughter of the writer P. M. Morton-Smith.

There are very few contemporary architects with the originality to collect from the past and not just to acquire fashionable works of art from their friends. The Stirlings gave substantial dinners on a dining table laden with neo-classical plate and silver. He would show you with pride a chair he had acquired by Pugin or Thomas Hope - his taste, like his later architecture, was inclusive and catholic; in private he was surprisingly undogmatic.

His architecture is strong meat. The Leicester University Engineering Building (1969-83) that he designed with James Gowan is an essay in geometry and engineering that appears to test both structural and

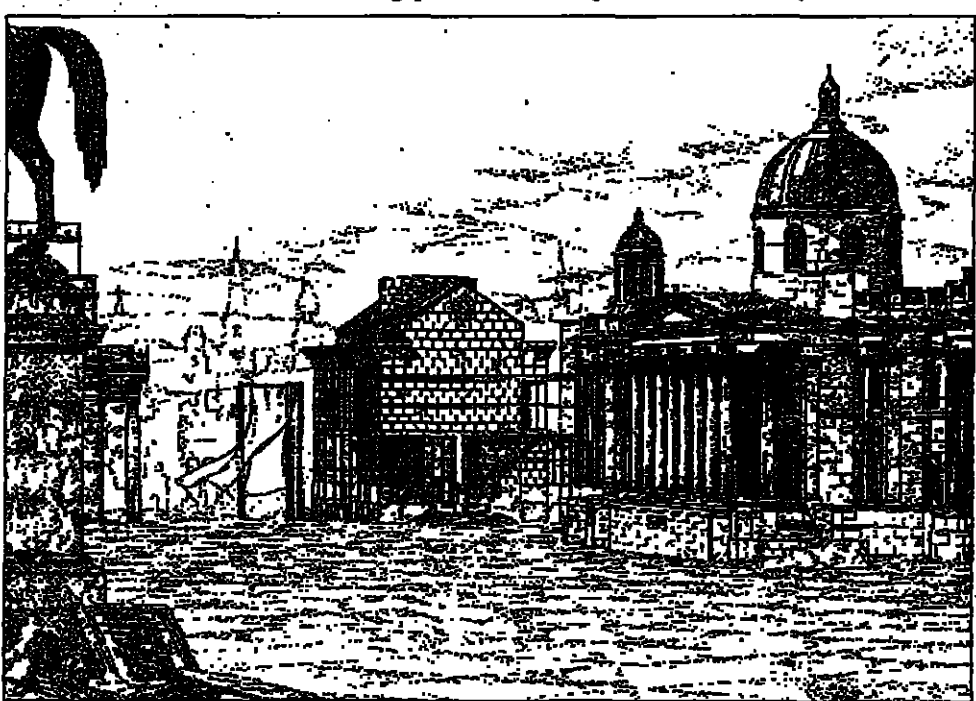
visual credibility. In its red brick and steel it is aggressive and powerful. But it is as nothing to the later buildings of this genre which Stirling designed alone - the History Faculty Library for the University of Cambridge and the later Florey Building for the Queen's College Oxford. There have been strong reactions to these buildings because they seem to have a capacity to auto-destruct. Indeed the Cambridge building, which has one of the most exhilarating interiors in that city, has been technically so unsatisfactory that the University has considered demolishing it.

Stirling moved on from engineering architecture to the more sober combination of a new sort of neo-classicism combined with references to the teachings of his mentor Colin Rowe (of Liverpool and Cornell universities). Stirling was the only contemporary architect to understand the idea of "architectural collage". Rowe is an important critic of modern architecture and Stirling was very much in sympathy with his idea that modernism itself is a part of history. A glance at the State Art Gallery in Stuttgart - which in my view is one of the most interesting post war buildings in

Europe - shows a completely original architectural mind at work.

It is no secret that Stirling wanted very badly to win the competition to design the Sainsbury Wing of the National Gallery, the Getty Museum in California and the new Glyndebourne Opera House in Sussex. In all these important international competitions Stirling came a close second. His schemes are all powerful, and in the case of the National Gallery he seems to have demonstrated the gift of carving space out of unimpeachable solids. He did succeed where others had failed in winning a planning permission for the development of No.1 Poultry in the heart of a conservation area in the City of London. His scheme has still not been built but its future is probably now uncertain.

The loss of "Big Jim" long before his time is extremely sad. He was a good friend and a fierce opponent - rightly fighting for architectural integrity. He was really one of the only architects in the world prepared to chance everything on a design. Not all his designs came off, but all were full of ideas. He nourished the profession world wide and it is hard to believe that the big heart under the blue shirt is now suddenly stilled for ever.



Stirling's design for the Sainsbury Wing of the National Gallery

Opera/Andrew Porter

Weir and Britten in St Louis

Judith Weir's *The Vanishing Bride* had its American premiere in St Louis this month. Scott Bergeson conducted. There was a pretty good young cast. Francesca Zambello produced, and Allison Chitty designed; they stressed the narrative plainness of the tale rather than the strangeness of the actions related (a bridegroom lured into fairyland, a maiden wooed by the devil). "The magic," Weir wrote of the Scottish folk tale collection that was her main source, "lies in the tension between extraordinary stories and the ordinary people who tell them." There was little magic in the staging, but much in the music.

This is an uncommonly skilful score - lucid, economical, cleverly designed, imaginative in sound. Stravinsky inspires it; Messiaen and Britten lend touches. What I missed at a first hearing was much emotional engagement; perhaps that will emerge when the sheer dexterity of planning and writing no longer dazzles.

The next day, Colin Graham's new production of Britten's *Midsummer Night's Dream* was electric. This opera's structure, too, is very carefully planned, almost schematic in its motivic assignments of sonorities, harmonies, and types of melodic motion. Yet it is not only the most beautiful of Britten's scores but also - in such production as this - one of the most powerfully affecting. Derek McLane's decor showed a world reversed: an upside-down city skyline in the distance, trees descending from the flies. Glow-worms glittered the stage. The lovely, enchanted wood

could have been near Athens, near London, or in New York, where Central Park has lately been the scene of passionate murder and brutal rape.

Cruder modern stagings of the play, building crassly on Peter Brook's vigorous and famous production, abjure prettiness, stress the donkey-mounts-lady sexuality and the cruelty. Some productions of the opera, on the other hand, have been merely decorative. Graham's holds the romantic and the dark aspects in balance; after pangs as keen as those in *Figaro*, a reconciliation equally moving is reached.

Robert Spano conducted a fine-grained instrumental performance. Derek Lee Ragin was an exact and exquisite Oberon. There was an able young cast; Thomas Barrett, as Bottom, was the outstanding singer. *The Dream* is less often heard in this country than *Albert Herring*, *The Turn of the Screw* and *Death in Venice* (while *Peter Grimes* and *Billy Budd* are the company's modern staples). This production should bring it forward in favour.

Graham, the artistic director of the company, has - in reaction against the over-decoration of our day - commissioned a new, permanent back-wall for the St Louis theatre. Before it, the actors are required to carry the burden of the drama. "Shakespeare had no scenery," he writes, and "many productions that seem wonderfully exciting in the rehearsal room are compromised, even wrecked, by the addition of scenery onstage." Shakespeare, one might retort, was not writing opera - that multimedia form of dramatic communication in which decor has often been an essential

element, one on which composers counted. The wall, designed by McLane, is a handsome, architecturally interesting structure, built apparently of solid brick (though in fact of glass fibre). It closed McLane's own *Dream* settings effectively. Miss Chitty veiled it from view in the *Bridegroom*. It served *Butterfly* and *Il Turco in Italia* less well, and I can imagine future designers finding it as intractable as the Teatro Olimpico's handsome fixed set (built in 1885 for *Oedipus*) is for most 18th and 20th-century pieces.

Butterfly was this year's standard opera, played nine times (against five *Bridegrooms* and five *Dreams*). The Brescia score was used. Graham's production was careful, but the principals, Guipeng Deng and Rick Moon, did not have pleasing voices, and Stephen Lord's conducting was summary. For once, there was no Mozart; Rossini's "Mozartian" *Turco* was given: the *Turco* libretto, set by Seydelmann, played in Vienna in 1789 and evidently influenced that of *Così fan tutte*. *Così*, in turn, played at La Scala in 1814 while Rossini was composing his version (with the Fiorilli and Guglielmo as his Fiorilla and Selim).

Little was Mozartian - or Rossinian - about the St Louis performance, however. Since it was done in my English translation, I'll not review it. Enough, perhaps, to report that the opera was presented as "Proscodimo's *Dream*," and that the rival ladies donned boxing gloves in the first-act finale while the chorus erected a ring around them.

Music/Max Loppert

Lufthansa Baroque Festival

The eighth Festival of Baroque Music sponsored by Lufthansa has run its course. A mark of success is that the London musical calendar now seems inconceivable without this annual summer enterprise at St James's Church, Piccadilly: a hole in it was perceived and has been filled (as the long queues outside St James's for tickets regularly proclaim).

New explorations into the vast continent of Early Music (the "baroque" in the umbrella-title being only a loose generic appellation) are constantly mapped out, new performers to lead those explorations constantly introduced. The church just off Piccadilly may have its inconveniences as a festival home - bus and car brakes and police sirens forcing upon the listener sudden intrusions of "real" time and place - but the pleasures of the church itself, the facilities it offers (including an agreeable cafe and a blessedly cool church garden for strolling), and the imaginatively planned events it houses, outweigh them.

Two instances on this year's schedule: on Wednesday the Lufthansa Festival provided the British debut of the Quatuor Mosaïques in a programme of Haydn and Mozart string quartets. This group has already become known to record-collectors; on a first encounter, last summer at

the Grange de Meslay Festival in Tours, I joined the ranks of its most passionate admirers. Formed by the French cellist Christophe Coin and three Austrian colleagues, it brings "period" practice - sparing use of vibrato, unpressured tempos, flexible phrasing - to bear on the Classical quartet repertoire.

In this case, though, claims of authenticity should be argued much harder for the corporate musicianship of the players than purely for their stylistic traits. The Mosaïques are one of the most blessedly chamber-like of modern chamber-music groups. There is no forcing. The exchange of performance ideas is intimate and exhilarating. The music speaks. The accounts of Haydn (Op. 20 no. 1 followed by the two "torso" movements known as Op. 103) forged an ideal combination of calm wit, spontaneous expressive impulse, and lyrical freshness. In the Mozart "Dissonance" Quartet after the interval, the players penetrated realms of erotic tension in the music that are generally left entirely untouched.

The Quatuor Mosaïques will no doubt be back in London soon (their regular presence in the programmes of the soon-to-be reopened Wigmore Hall is a foregone conclusion). My other festival experience, the joint Hilliard Ensemble and Concerto Pala-

tino account of the Cavalli Vespers the previous Wednesday, afforded a discovery of rather more marginal significance. Cavalli, known for his operas but in his day no less important as a Venice church-composer, left behind a volume of *Musiche sacre* (1656) out of which these Vespers were assembled by the Concerto Palatino directors, Bruce Dickey and Charles Tuell.

Though originally the various Vespers related items might well have been performed as they were on this occasion, consecutively, an "opus" called the Cavalli Vespers is in effect a late-20th-century editorial supposition. The strongest argument against it was that - particularly with the unavoidable comparison of Monteverdi's Vespers in mind - the quantity of music proved too great for its strength and intensity of character.

There were many delights in the individual movements: dancing rhythms, enchanting vocal and instrumental combinations, the captivating humanity of invention that marks all Cavalli's music. The performers gave delight (particularly the soft, suave tones of the Concerto Palatino cornets and of the Dutch bass Harry van der Kamp, a Hilliard guest). Yet to my mind the sum of the parts added little except for a vague feeling of overlongness and, indeed, too-much-ness.

Music/Andrew Clements

Ives' Fourth Symphony

During concert intervals at the Festival Hall audiences are regularly treated to Ivesian collages, when the gentle reverberations of the South Bank's gamelan ensemble merge into the assorted muzak rising up from the record stall. On Saturday there was an opportunity to sample the real thing: the Philharmonia, conducted by Christoph von Dohnányi, gave a rare London outing to Ives' Fourth Symphony, with the Philharmonia Chorus and Soloists. It was a vivid, excellently co-ordinated performance; there is little expression "interpretation" involved in such a piece, just a need to render these effects as carefully as possible.

As one of the most hallowed icons of American experimentalism the Fourth

Symphony continues to receive respectful performances; but it is not really a concert work, much more an interesting idea, a notional model that has served as inspiration for subsequent generations of American composers. Compared with their achievements - think of Carter's Concerto for Orchestra - and, indeed, with Ives' own orchestral success *Three Places in New England*, it is awfully hit and miss, with so much textural mush to negotiate before the few moments of genuine poetic inspiration.

Earlier Dohnányi had conducted Haydn's Symphony No 12 and accompanied Krystian Zimerman in Beethoven's Third Piano Concerto. Despite the rather martial orchestral contribution it was a wonderful performance, full of exquisite touch and colour, moments of unexpected

wit and occasional fierce explosive emphases. In such form Zimerman is matchless; he has a range of articulation beyond the reach of any of his contemporaries, and a musical sensibility that puts these gifts to the best possible use.

Lugano jazz

The southern Swiss town of Lugano holds two jazz festivals in the summer, both free to the public. First is the 14th Festival Jazz on July 1 to 3, followed by the fourth *Lugano Blues to Pop Festival* on August 28 to 30. Both events will be held in the town's Piazza Riforma. Details from the Lugano Tourist Office, Riva Albertolli 5, CH-6901, Lugano.



BARCELONA

MUSIC
Tonight at 21.00 in Gran Teatre del Liceu, Gian-Paolo Sanzogni conducts Hugo de Ana's production of Werther, with Alfredo Kraus and Martha Senn. Runs till July 19, next performance on Fri. Sat and Sun: Krzysztof Penderecki conducts choral works by Penderecki, Petrassi and Prokofiev (412 1466). Tomorrow in Palau de la Musica: Liza Minnelli (268 1000). Wed in Poble Espanyol: Van Morrison (318 8599).
THEATRE
Companyia Teatre Lliure presents Beaumarchais' play *The Marriage of Figaro* tonight, tomorrow and Wed in Teatre Grec. Performances begin at 22.30 (318 8599).

COLOGNE

CONCERTS
Tonight in the Philharmonie, Sergiu Celibidache conducts the Munich Philharmonic in Bruckner's Third Symphony. Fri,

Sun and next Tues: James Conlon conducts concert performances of Weber's *Oberon* in the arrangement by Mahler, with Gary Lakes in the title role (2801).
OPERA/DANCE
The final performances of the season at the Opernhaus are Don Giovanni tonight, Zar und Zimmermann tomorrow, Wed and Sun, and a new ballet by Jochen Ulrich on Thurs (221 8400).

LONDON

MUSIC
Barbican 19.45 Michael Tilson Thomas conducts the LSO in Bernstein's *On the Town*, with Thomas Hampson, Frederica von Stade and Marie McLaughlin. Tomorrow: Dudu Fisher in concert. Thurs: Colin Davis conducts the LSO. Sat: Joshua Rifkin plays Scott Joplin. Sun: Willard White sings excerpts from Porgy and Bess (071-638 8891).
Covent Garden 20.00 Der fliegende Holländer with James Morris and Julia Varady, also Wed. Tomorrow and Thurs: Don Pasquale. Fri: Cheryl Shuler recital. Sat: new production of *Il viaggio a Reims* (071-240 1066).
Purcell Room 19.30 Pavilion Opera production of *L'elisir d'amore*. Wed and Thurs in Queen Elizabeth Hall: Robert Saxton's opera *Caritas* (071-628 8900).
Royal Festival Hall 19.30 Brazilian singer/guitarist Gilberto Gil and group in a programme of Afro-Bahian fusion, rock, funk, reggae and ballads. Tomorrow: Tuck and Patti jazz duo. Wed:

Sinopoli conducts Mahler's Second Symphony. Thurs: Schoenberg's *Gurrelieder* (071-928 8800).
CHICHESTER FESTIVAL
Melvyn Bragg's new play, entitled *King Lear* in New York, has premiere on Wed, in a production directed by Patrick Garland, with a cast including John Stride and Kate O'Mara. In repertory with Christopher Fry's comedy *Venus Observed*, starring Donald Sinden (0243-781312).

MILAN

TEATRO ALLA SCALA 20.00 Riccardo Muti conducts Werner Herzog's new production of *La donna del lago*: daily performances till Sat, with casts including June Anderson and Cecilia Gasdia, Martine Dupuy and Jennifer Lamore, Rockwell Blake and Chris Merritt (7200 3744).

NEW YORK

DANCE
The final week of the Kirov Ballet's season at the Metropolitan Opera House includes performances of *La Bayadère* tonight and tomorrow, followed by the *Lavrovsky Romeo and Juliet* on Wed, a *Balanchine* and Antony Tudor programme on Thurs and Swan Lake on Fri. Next week: American debut of Kirov Opera (362 8000).

PARIS

CONCERTS
Tonight's concert by the Philharmonia Orchestra at the

Châtelet is conducted by Christoph von Dohnányi and features Krystian Zimerman in Beethoven's Third Piano Concerto (4028 2840). Tonight at Salle Pleyel: Semyon Bychkov conducts Dutilleul's Second Symphony and three works by Ravel, including the G major Piano Concerto with Alicia de Larrocha (4563 0796).

OPERA
Tomorrow, Thurs, Sun at Châtelet: John Eliot Gardiner conducts *Così fan tutte* (4028 2840). Tomorrow at Bastille: Domingo sings Otello (4001 1616). Wed, Fri and Sun at Palais Garnier: Il barbiere di Siviglia (4017 3535). Thurs at Opéra Comique: first of six performances of Michael Hampe's Cologne production of *La cambiale di matrimonio* and Il signor Bruschino (4286 8883).

DANCE
A new Pina Bausch choreography is showing at Théâtre de la Ville tomorrow, Wed, Fri and Sat (4274 2277). Ballet de l'Opéra de Paris gives a final performance of its triple bill of works by Neumeier, Lander and Petit tomorrow at Palais Garnier, July 6-25: Swan Lake (4017 3535).
● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8888.

STRASBOURG

STRASBOURG FESTIVAL
The final week of the festival includes a concert performance of *Il barbiere di Siviglia* tonight

in the Palais de la Musique. Tomorrow: La travesti (at Théâtre Municipal). Wed: concert performance of Honegger's *Le Roi David*. Sat: Bamberg Symphony Orchestra and Chorus in Rossini's *Pette Messa Solenne*. July 8-11: Strasbourg Jazz Festival (8832 4310).

STUTTGART

LUDWIGSWIG FESTIVAL
Gidon Kremer and friends give concerts tonight and tomorrow in the Ordensaal. Sat: Igor Oistrakh is violin soloist and conductor with the European Community Chamber Orchestra in a programme including Grieg's *Holberg Suite* and John Kennedy plays Beethoven's Violin Concerto and jazz improvisations in a concert with the Festival Orchestra conducted by Wolfgang Gönnenwein. Next week: Evgeny Kissin (7141-949610).

VERONA

The summer season begins on Wed with a new production of Don Carlo, conducted by Gustav Kuhn and staged by Renzo Ghislieri. The cast for the first six performances includes Lys Lima, Renato Bruson, Kurt Rydl, Roberto Scanduzzi and Aprile Millo. La bohème, conducted by Tiziano Saverini, opens on Fri, followed by *Aida* on July 17. In August there will be performances of Nabucco, Porgy and Bess and a John Butler choreography. Performances

in July begin at 21.15, in August at 21.00 (Ente Lirico Arena di Verona, Piazza Bra 28, 37100 Verona. Tel 045-590109 Fax 045-8011566).

VIENNA

MUSIC
Staatsoper 19.00 Friedrich Cerha's opera *Baal*, with Theo Adam in the title role. Tomorrow: Tristan und Isolde (51444 2950). Volkstheater 19.00 Zamlinsky double-bill: Eine florentinische Tragödie and Der Geburtstag der Infantin. Tomorrow: Die Fledermaus (51444 3318).
● Vienna's Kammeroper will present a series of open-air performances of Don Giovanni in July and August in the Imperial Gardens of Schönbrunn Palace. The cast is headed by the young Danish baritone Boje Skovhus. The opening performance on July 7 is a benefit gala (512 0100).
THEATRE
The repertory at the Burgtheater and Akademietheater includes a new play by Peter Handke, Sean O'Casey's *The End of the Beginning*, Dürrenmatt's *The Visit* and Botho Strauss' *Die Zeit und das Zimmer* (5131 513).

ZURICH

Tonhalle 19.30 Erich Leinsdorf conducts Tonhalle Orchestra in works by Stravinsky and Shchedrin (201 1580). Tomorrow and Thurs in Opernhaus: Ralf Weikert conducts Cesare Lievi's new production of *Capriccio*. Wed: Balza sings *Carmen* (262 0909).

European Cable and Satellite Business TV

(all times CET)

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2000-2300, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report
0900-1000 (Mon) FT weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe - what's new in European media business

2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1830-2000 FT Eastern Europe Report

SUNDAY

CNN
1800-1100, 1800-1830 World Business This Week

Super Channel
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FINANCIAL TIMES

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Monday June 29 1992

Intervention in Bosnia

The plight of the 300,000 people cut off in the Bosnian capital of Sarajevo by Serb militias is now so serious that it is difficult for the international community to stand back any longer. More than 7,000 people have been killed in Bosnia during the three months since the beginning of the conflict and hundreds of thousands of others are on the point of starvation. Yet all efforts to reach a negotiated settlement of the dispute undertaken by the European Community's peace conference chaired by Lord Carrington, or even to implement cease-fires, have failed.

President François Mitterrand of France, who took the dramatic decision to visit the besieged Bosnian capital yesterday, clearly believed that he had a chance of bringing the combatants to their senses where others had failed, thanks to France's historically close relationship to the Serbs. It cannot be excluded that such shock therapy could have a beneficial short term effect. But it is, to say the least, disturbing that his personal initiative was undertaken without the prior knowledge or backing of Mr Mitterrand's EC colleagues who, just before his departure from the Lisbon summit, had adopted a common position on Bosnia.

Even in the absence of a common foreign policy, one could have expected the French President to inform the other 11 heads of government of his intentions, particularly on an issue which demands the closest possible international co-operation if it is ever going to be resolved.

One of Mr Mitterrand's ulterior motives could well have been to pre-empt US involvement in a matter which he believes is very much a European responsibility. Yet it is clear that no effective international action to tackle the Bosnian and wider Yugoslav crisis can now be contemplated without US participation. The EC has had the opportunity to act alone and has failed to find a solution.

Military intervention

The challenge since the very beginning of the Bosnian and entire Yugoslav crisis has always been to find an acceptable alternative to the failed policy of conciliation and negotiation. To advocate international military intervention without fully facing the con-

sequences of such a course of action would be to court disaster. Military experts consider it would take hundreds of thousands of troops to enforce peace on the warring factions in Bosnia and even to guarantee that Sarajevo airport remained open in the absence of a cease-fire. How long would such an international force have to remain on the spot and what casualties would it have to bear over an extended period? The disastrous experience of the US and French expeditionary forces in Lebanon in the early 1980s should serve as a salutary example to those wishing to do something similar in Bosnia.

Humanitarian airlift

Neither the US, particularly in a presidential election year, nor any of the EC countries can contemplate a prolonged international military presence on the ground in Bosnia for those reasons. They are moving instead towards an international humanitarian airlift, under the aegis of the United Nations, on the assumption that such aid to the beleaguered population would be flown under conditions of at least a temporary cease-fire on the ground.

It is not certain, however, that what is intended to be a more limited airlift operation would avoid all the dangers of a much more extensive military action. Neither the European Community nor Mr Boutros Boutros-Ghali, the UN Secretary-General, have ruled out the use of military means to ensure that the humanitarian aid arrives at its destination, if the fighting in Bosnia is not halted quickly. In practice, this would have to involve putting in troops at least round Sarajevo airport, along the road to the city and inside the city itself for an indefinite period.

If such a longer term military commitment is undertaken under the umbrella of the UN, the ultimate political objective must at least be clear. Is it to partition Bosnia-Herzegovina into separate ethnic states or should it be to establish a UN trusteeship over the region? For the international community to decide on military intervention would be an extremely hazardous step. To do so in the absence of clear strategic and political goals would be sheer folly.

At least in its actions last week, the BP board demonstrated that, as with the murder of Scott Kings, so with the ousting of corporate chiefs, "if it were done when 'tis done, then 'twere well it were done quickly."

None of these observations, however, will be of much comfort to Mr Horton as he re-assembles his shattered career. It would be surprising if his ambitions did not now leap to the other side of the Atlantic, where during the late 1980s he enjoyed considerable success, both in public esteem and the financial performance of BP's then US subsidiary, Standard Oil of Ohio.

Swift decisions

Mr Horton's experience in the US reinforced his natural penchant for a high profile leadership style, the virtues of which include more openness and plain-speaking than is the norm in British business. This style was combined with a commitment to "delay" BP, sweeping away tiers of committees and executive control in favour of managers "empowered" to take swift decisions and accept responsibility for their outcome. Although encumbered with a disagreeable surfeit of business school jargon, this approach to revitalising old and complex multinational corporations has commended itself to several important companies, including General Electric and IBM.

It may well be that Mr Horton lacked the subtlety and patience to apply this philosophy to BP. That, presumably, is the judgment of the board. The danger is that the board has reacted in panic to the cries of pain which inevitably arise when entrenched interests are made to face new realities. In appointing Mr Horton in 1990, the then BP board judged that only a hard-nosed, self-confident revolutionary would be able to transform the culture of an organisation still suffering from post-imperial illusions about its natural place in the global order.

For the sake of the British oil industry and BP shareholders, it is to be hoped that the ousting of Mr Horton does not indicate a lack of corporate stomach for confronting the consequences of change. In 1989, the quiet life is even less an option for BP than it was in 1990.

Sometimes an event, or the recollection of it, is entirely dominated by its post-script. So, President Mitterrand's personal bid to "do something" to relieve the siege of Sarajevo threatened to eclipse entirely the EC summit in Lisbon that seemed to "do nothing" except wring its hands about the rising toll in the Yugoslav civil war.

Indeed, it could hardly be more dramatic than for an ageing French president to be trying to wend his unarmed way into war-torn Bosnia, after a summit at which British officials were estimating that it would take no fewer than 100,000 troops to open, and keep open, Sarajevo airport to relief supplies.

It could also hardly be more erratic than to have the leader of France leave a summit, dedicated above all to saving the EC's Maastricht treaty and its commitment to a common European foreign and security policy, without breathing a word of his mercy mission to his fellow leaders.

Yet, Lisbon was not a "do nothing" summit, despite the best efforts of many leaders to make it so. True, perhaps the summit's main achievement was for the leaders of the 12 EC states, including Denmark, to record that Denmark's popular rejection of Maastricht did not sway their "determination to press ahead with European construction". That does not sound earth-shaking. But that had not been said, at the highest level of government, since Denmark's referendum on June 2 went against the Maastricht treaty.

There is still a sense of illegality, or at least doubtful legality, about

Denmark's 11 partners going ahead with ratifying the Maastricht treaty on political and monetary union, when the Treaty of Rome clearly says that constitutional revisions must carry the unanimous assent of all EC states. But, in the final resort, EC government leaders can make the rules up as they go along.

In going along, "we should keep all 12 passengers on the train", said Chancellor Helmut Kohl. Mr Mitterrand was not so sure on this point. In the end, "those countries which do not ratify the treaty will simply have to cut themselves out", he said. But, then, the French president was busy during the rest of the weekend showing his rather idiosyncratic view of collective action.

Lisbon's second achievement was to signpost how the Community might, as the final communiqué put it, "bring the process of European Union closer to the citizens" through subsidiarity. Making EC decision-making more open and decentralised promises to pay dividends in aiding Maastricht ratification in several countries this autumn and in prompting Danish second thoughts, perhaps next year, about Maastricht.

In one of the rare moments on

Real progress on EC integration awaits ratification of the Maastricht treaty, say David Buchan and David Gardner

A state of limbo in Lisbon

Friday, when he was not either anticipating or celebrating his country's 20 victory over Germany in the European soccer final, Mr Uffe Ellemann-Jensen, Denmark's foreign minister, said he hoped for "a new political landscape in which new decisions can be taken". This was as near as he or any Danish government leader came to hinting at a possible second referendum on Maastricht.

But the summiters said they were also convinced that subsidiarity - confining legislation at the Community level to a carefully justified minimum - could contribute to the "harmonious development of the [European] Union over the coming years". In a general debate on the issue, several leaders aired pet candidates for the legislative scrapheap.

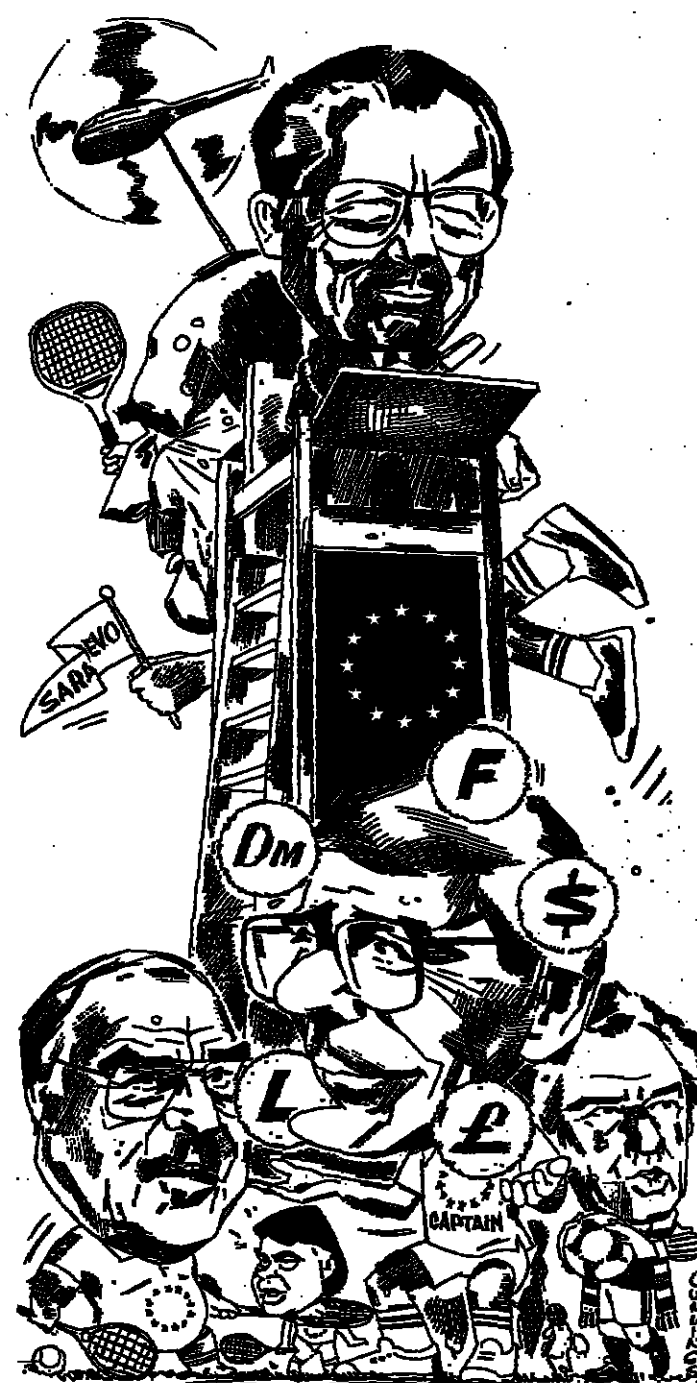
Mr Kohl said he saw no reason why the EC should have legislated on toy standards, bathing water purity, or safety roll bars for tractors. It was a little ironic that the Chancellor should have so complained. Although he has good reason to placate his *Länder* - the 16 federal states - which fret about rule from Bonn, let alone Brussels, the fact is that Germans are among the most pernickety Europeans when it comes to technical and environmental norms.

But there are plenty of other ironies in the subsidiarity debate. One is that the push for interventionism often comes from member states, not Brussels. Mr Jacques Delors, for whom subsidiarity is clearly going to be the theme of his newly-extended term as Commission president, pointed out that, in passing a recent measure on free circulation of poultry, the Council of Ministers had asked the Commission to set the point in time at which slaughtered chickens should have their feet cut off. The Commission, said Mr Delors, refused to make such a determination.

EC leaders eagerly took up two ideas from Mr Delors. One was that the Commission would report to them in 18 months' time on what existing EC laws and rules it reckoned could be scrapped or modified in the light of subsidiarity. Mr Delors also promised to justify future legislative proposals on grounds of subsidiarity, a test that the Council of Ministers would also have to apply in modifying such plans.

But making the EC less intrusive in the lives of citizens and companies should not, in Mr Delors' view, lead to any scaling down of the Community's core policy ambitions - or their cost. Indeed, at Lisbon he reverted to his original plan to raise EC spending by a third, from Ecu 66.5bn (£47.5bn) this year to Ecu 87.5bn in 1997.

This was the upshot of a few genuinely acrimonious hours on Saturday, when the richer northern coun-



tries pocketed a compromise proposal, hatched by Mr Delors at the Portuguese presidency's request. The compromise would have stretched the rise in the EC's revenue ceiling two years longer (until 1999) but the northern countries flatly refused to commit themselves to double structural aid to southern countries. The north would only agree, in the final communiqué, to give the south an "appropriate" amount.

So, Mr Delors pulled what he considered a top-sided bargain off the table. Prime Minister John Major termed this "progress", even though his UK presidency, which starts in two days' time, will now have to

begin the financing negotiations all over again. It does not mean that Britain will not broker a budget deal at December's summit in Edinburgh. Indeed, the supposedly neutral presidential role now imposed on it removes from the budgetary fray one of the toughest protagonists for EC austerity. And, if and when they ratify Maastricht, other richer countries may change their tune.

But the key country here is Germany. Mr Kohl complained at Lisbon that southern EC leaders did not seem to realise that there were wider calls these days on Germany's diminished largesse. He cited demands by the third world at

Rio's recent Earth summit for environmental help and the needs for Germany to help its eastern neighbours improve the safety of their nuclear power plants.

But Prime Minister Felipe Gonzalez was unimpressed. Asked if he minded being considered "the stone in the richer countries' shoe", the Spanish leader replied: "Not only am I not bothered by that, I consider it a positive compliment." It seemed a far cry from 1988, when a Kohl-Gonzalez deal settled the EC's budget guidelines for the subsequent five years.

Nor is it likely that Mr Kohl will feel much mollified, if, as now expected, he wins agreement within the next six months that the European Central Bank should be based in Germany. He feels he almost got that in Lisbon. An elaborate Portuguese plan to share out EC institutions chiefly founded on Mr Major's refusal to see the ECB go to Germany. According to Portuguese ministers, all other leaders accepted Bonn as the sole seat of the ECB, and its planned precursor, the European Monetary Institute. Again, the constraints of his impending presidency will hamper Mr Major in continuing to seek at least the ECB's foreign exchange arm for London, a quest made all the harder by the UK's Maastricht treaty reservation about joining the final stage of economic and monetary union.

Mr Major came to Lisbon, keen that the hallmark of his presidency should be an openness to the outside world, as symbolised by an uncomplicated and early start to enlargement negotiations with European Free Trade Association (EFTA) countries. But the main part of this battle was won before he arrived in the Portuguese capital.

When the Danes voted Maastricht down, they also killed the Commission idea that a budget deal must precede enlargement, but had hoped to go in step with further institutional changes inside the EC, like more majority voting, which would be highly unwelcome to the UK.

What remained to fight over in

Mr Major found himself bumping up against the one hard reality facing the Community

Lisbon was the timing of the start of negotiations. Mr Major pushed hard. He got agreement that he could start preparing the EC's negotiating position before Edinburgh, but that "official negotiations" could only take place after the Maastricht treaty is ratified and the EC's future financing is settled.

The UK had long agreed with its partners that a budget deal must precede enlargement, but had hoped to avoid Maastricht ratification, with its unknown timetable, also becoming a pre-condition. Thus, the UK leader used up some valuable political capital with his colleagues to get informal preparation of enlargement this autumn. This was a gain, the usefulness of which was questioned even by diplomats from EFTA countries hovering around the Lisbon summit.

For, in the end, Mr Major, like everyone else at Lisbon, found himself bumping up against the one hard reality facing the Community today. That is that, unless and until the Maastricht pact is put solidly in place, the EC cannot emerge from its current state of limbo. For the UK presidency, this means hard pounding on the budget issue all autumn, whether it likes it or not.

Samuel Brittan

Post-Maastricht risks



Samuel Brittan

"Our central view is that the process of Maastricht ratification will be back on course by December. However, we assign a 40 per cent chance to Maastricht ratification stumbling and failing."

This is the view of the British branch of the Union Bank of Switzerland. It is not, however, just picked up from the pavements of Zurich. It is derived from a financial market survey of 190 European banks' chances of a substantial Italian devaluation. This is now put at 40 per cent, having been 25 per cent earlier in the year, and about 15 per cent in mid-1991.

The underlying assumption is that Italy is a sort of bell-wether. The idea is that on pure economic criteria Italy is a devaluation suspect. But if European economic and monetary union (EMU) goes ahead by 1997 or 1998, according to timetable, the process of convergence - and no doubt a helping hand from Germany - would avoid the need for a party adjustment.

In one sense the drive to EMU and the Maastricht Treaty have been a blow to monetary union, spelled in black letters. For until about the beginning of 1990, European interest rate differentials were falling and the realignment risks dwindling as a result of the natural developments of the Exchange Rate Mechanism. Realignments were becoming fewer - the last one involving France and Germany had been in January 1987, and the process of policy convergence had been taken quite far at least among the core members of Germany, France and Benelux.

Indeed a new study points out that, judged by many of the normal criteria for deciding whether countries form a natural monetary area

or not, some of the non-EC countries, such as Austria and Sweden, are much more likely candidates than the outlying Mediterranean members of the EC. The UK as usual lies awkwardly in between, neither quite in either category.

In the past couple of years the political process has given an extra momentum to monetary convergence. But what the political process can do, it can also undo. So, while the ERM two and a half years ago appeared to be doing quite well, a sudden snap back to the state of affairs then would come as a shock to expectations.

The June issue of the London Business School Economic Outlook discusses the implications of the

A sudden snap back to the ERM as it was two years ago would come as a shock to expectations

greater Maastricht risks for British monetary policy. The problem is that doubts on EMU now throw some doubts on the ERM itself and reduce Britain's "hard won investment" in the credibility of the DM 2.95 parity. This in turn may delay a further fall in British interest rates and in the worst case force an increase.

There is thus a danger of a vicious circle in which the reduced credibility of the ERM link keeps up interest rates and delays economic recovery, which in turn stirs up further hostile debate, which further pushes up the required UK interest rate in a self-reinforcing process.

The most constructive LBS suggestion is that the weakening of counterinflationary credibility following the Danish referendum should be offset both by a move to narrow the present 6 per cent ERM

margins - which most people seem to expect before the Edinburgh summit in December - plus a move to an independent Bank of England.

In other words, if a belt risks coming apart, it would be helpful to wear braces as well. The independent Bank would itself reduce market fears of a government in a corner dropping the ERM parity. Second, it offers some insurance against the possibility of the German counterinflationary anchor proving weak after all and would allow the UK to take the lead in Europe in such circumstances.

Third, it is some insurance against a worst case scenario in which the ERM breaks up or a government takes Britain outside the system. Indeed the LBS goes into more detail about how an independent Bank might work than others have done. The Bank should be free to determine interest rate policy in the light of a low and stable medium term inflation rate objective. It should report annually to Parliament and perhaps more frequently on its open market operations. As a safeguard against political pressure, appointments should be made for extended terms, like the eight years specified for the proposed European Central Bank, with only limited possibility for dismissal.

Indeed the more that proposals for an independent Bank of England are spelt out the more that Bank begins to look like a smaller version of a European Central Bank and less like the financial headmistress we know and love - or don't love. In the last resort the question is not whether we want a political federation but whether we want independent institutions to maintain sound currencies.

*Is there a conflict between EC enlargement and European monetary unification? T. Bayoumi and B. Eichengreen, CEPR, 25-28. Old Burlington Street, London W1X 1LB.

FT CONFERENCES

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A one-day conference to examine Sweden's large-scale privatisation programme, and the Government policies being implemented to revitalise the economy and make Sweden more attractive to foreign investment. Mr Per Westerberg, Swedish Minister of Industry and Commerce will give the keynote opening address. Other speakers include: Mr Urban Bäckström, Under Secretary at the Swedish Ministry of Finance; Dr Peter Wallenberg, Chairman of Investor AB; Mr Rune Andersson, Chairman of the Board of Swedish Steel AB; Mr Hansman C van der Wyck, Chairman of S G Warburg & Co; and Mr Brian Knox, Adviser at Kleinwort Benson.

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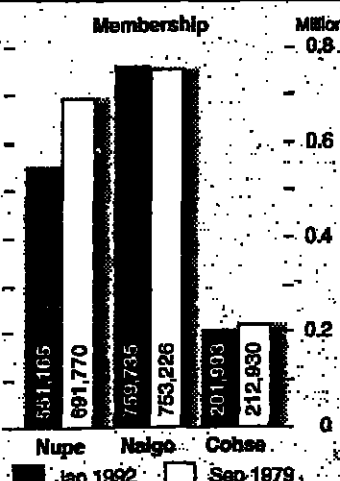
WORLD AEROSPACE AND AIR TRANSPORT

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This conference, timed to precede the Farnborough International Airshow, will examine the extensive restructuring of the world aerospace and airline industry. The Single European Market in air transport and its implications in the globalisation process, how the defence industry is adapting to a new environment of defence procurement and the new structures of financing aircraft are some of the issues to be discussed by an international panel of speakers.

All enquiries should be addressed to: Financial Times Conference Organisation, 125 Jermyn Street, London SW1Y 4AL. Tel: 071-825 2223 (24-hour answering service), Telex: 27347 FTCONF-G, Fax: 071-825 2125

Three into one will go

Rodney Bickerstaffe
NupeAlan Jinkinson
NalcoHector Mackenzie
Cohse

An alliance that seeks strength in numbers

Michael Smith examines plans to create the UK's largest union through a merger of three public service organisations

When Mr Rodney Bickerstaffe chose to stay on as leader of Nupe, the UK's fifth-largest union, some of his fellow trade unionists found the decision puzzling. They believed he was the ideal candidate for the post of general secretary of the Trades Union Congress, representing almost 10m workers.

Since that decision back in 1984 events have moved in Mr Bickerstaffe's direction and, at a time when membership of TUC-affiliated unions is declining to less than 8m now, he could soon wield more influence than Mr Norman Willis, the man who became TUC leader.

After a series of votes at union annual conferences over the past month, Nupe is almost certain to join with fellow public service unions Nalco and Cohse to form Unison, a TUC-affiliated organisation with 1.5m members. From its formation in July next year, it would be Britain's largest union and the second biggest for public service workers in Europe. It will represent workers in the gas, electricity, water, transport and further education sectors, but its main areas of influence will be local government and health. For the first two years, Mr Bickerstaffe will share the leadership with Mr Alan Jinkinson of Nalco and Hector Mackenzie of Cohse. After that Mr Bickerstaffe is almost certain to take sole control as general secretary.

While Mr Bickerstaffe's election would be welcomed by many colleagues, who see him as an effective advocate of trade unionism, the consequences of the merger will affect more than Mr Bickerstaffe and Unison members.

The grouping of three unions into one would hasten the trend in Britain towards a smaller number of larger unions. Of wider importance still will be the effect of the amalgamation on the employers which currently deal with

the three constituent unions. The union's creation comes at a time when the government is pressing public sector employers - local councils and the National Health Service - to devolve power to local managers. It wants local pay bargaining to replace existing national bargaining structures; performance-related pay significantly extended from managers to workers; and more services, particularly those in white-collar areas such as housing management and planning, to be put out to competitive tender to allow private-sector organisations to run them more efficiently.

Where health and local government employers push through such changes, the unions, under their present fragmented structure, will be relatively powerless to resist. They believe the merger will result in one organisation speaking with a single voice and thus with a better chance of fighting what they see as the worst effects of reform. The contracting out of services, for instance, has cost thousands of local authority jobs.

The merger also will increase the ability of union leaders to co-ordinate the action of their members, particularly in local government. Councils have been able to exploit a lack of common interest between white-collar staff, represented mainly by Nalco, and manual workers, mostly in Nupe. Last year, as Nalco was balloting its members over a strike on a 6.4 per cent pay offer, local authorities reached agreement with leaders of Nupe and other unions representing blue-collar workers on a similar offer, sweetened by a promise of shorter working hours. The proposed pay deal was believed to have weakened the resolve of white-collar staff, who voted against taking

action over the offer. "Divide and rule tactics like that will be less easy in the new set-up," says one employer. "It will be the same union negotiating for both blue and white-collar workers."

But not all employers are pessimistic about the proposed merger. Mr Charles Nold, lead negotiator for UK local authorities in national pay talks, says the unions are likely to be "forced to come to terms with the case for fundamental reform" in pay bargaining as a result of competitive tendering and of the growing number of councils opting out of national arrangements. The merger could hasten any rethink.

In the past Nalco in particular has opposed most attempts to add local flexibility to national pay negotiations, and in 1989 staged a series of nationwide strikes that succeeded in resisting the abolition of national pay grades.

Nupe has been more amenable to change partly because its members have faced competition for jobs from lower-paid private sector workers.

Employers hope that Nupe's pragmatic approach will have a strong influence in the new union. They also hope the merger will lead to "single-table" bargaining for all workers below executive level. This would enable the current system of separate pay talks for white-collar, blue-collar and craft workers in local authorities to be replaced by one negotiating forum, thereby simplifying procedures.

Similar arguments in favour of Unison are promoted by health service employers. They applaud the trend towards local bargaining and "single-table" bargaining, and say the setting up of the merged union should speed the development. However, few health trusts are likely to follow the

example of Northumbria Ambulance service, which this year withdrew recognition from three unions so that it could negotiate solely with the Association of Professional Ambulance Personnel.

Like employers, unions have mixed feelings about the creation of Unison. Some will benefit from increased membership, as workers unenthusiastic about the merger resign. Others, particularly the TGWU general workers, will be concerned that the formation of such a large union will eclipse their own organisations. For more than 60 years, the TGWU has enjoyed the influence of being Britain's largest union, and many of its officials are unhappy at the prospect of losing that distinction.

Over the past six months, the TGWU has buried its traditional enmity with the GMB general workers; many within both unions believe that a merger will eventually take place between them.

If that happens, Mr John Edmonds, GMB general secretary, may view his prediction that there would be four or five dominant unions by the end of the century as an over-estimate. Three or four might be more accurate. Unison and the Amalgamated Engineering and Electrical Union (formed earlier this year) are certainly, with a question-mark hanging over the TGWU-GMB merger.

Although some specialist unions such as the Fire Brigade Union and the Association of First Division Civil Servants could, and probably will, survive as independents, most others would be forced to seek refuge in alliances as their memberships decline and funds dwindle. Though there would still be a need for the TUC to lobby the government, many trade union leaders foresee a smaller organisation than exists today. In such circumstances, Mr Bickerstaffe's judgment of eight years ago looks increasingly sensible.

OBSERVER

Turning over Imro

As pressure to resign seemingly mounts on George Nissen, chairman of the Investment Management Regulatory Organisation, because of Imro's failure to spot the antics of Robert Maxwell, the whole future of the investment watchdog could be affected.

The embattled self-regulating organisation is currently fighting a plan for Imro to lose a chunk of its membership list to the new Personal Investment Authority which is to be formed out of two other SROs, Lauto and Fimbra. This could make it a tricky time to lose Nissen. There is something of a lame duck air too about Imro's chief executive John Morgan, who has already announced his intention to retire in 1993.

Nissen, a former senior partner of stockbrokers Pender & Boyle, one-time big wheels in the gilt market, is said to have been "a superb committee man" in the old Stock Exchange. But both Nissen and Morgan are over 60 and made their reputations in a less dangerous environment. The new chief executive, according to the recent recruitment ad for the post, should be "a leader with diplomatic skills". It would have taken much more than diplomacy to stop Maxwell, however valuable such skills might be in the boardrooms of the blue-blooded accepting houses which dreamed up Imro in the first place.

Neighbours

If South Africa's Anglo American and the country's National Union of Mineworkers fall out over their ground-breaking labour

relations agreement, help is at hand.

Observer hears that ANC secretary general Cyril Ramaphosa is soon to move in next door to the expansive Brenthurst estate of Harry Oppenheimer, Anglo's 83-year-old retired chairman. Ramaphosa, widely tipped as Nelson Mandela's heir apparent, is a lawyer who first made his name as a negotiator with Anglo American when he was secretary of the National Union of Mineworkers. Who knows what disputes may now be settled by a neighbourly chat between two of South Africa's most formidable power brokers.

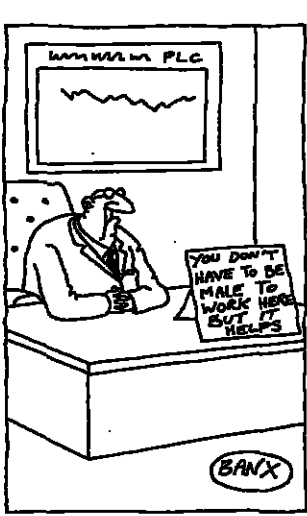
Home truths

Since Alan Budd became chief economic adviser to the Treasury, he has studiously avoided making any personal forecasts about the economy. But he likes to tell how, when at London Business School, he sorely tried his family's patience by poring over reams of computer printouts at weekends. Finally, his son asked in exasperation: "Daddy, why do you spend all your time trying to forecast things? Why don't you just wait and see what happens?" Treasury economists, take note.

Sour note

The stock market has become tired of ambitious British media companies, such as Saatchi & Saatchi, WPP and Shandwick, which made too many acquisitions and issued too much paper.

So it is bound to be a little suspicious about the surprise departure of Aegis's well-paid chairman Peter Scott, and David Reich, a key lieutenant. Certainly, the reason given for the departures - they did



not want to move to Paris - does not sound terribly convincing. At 44 Scott is at an age when most executives are just getting into their stride and not retiring. British shareholders will be left with a company which is run by an elderly Frenchman based in Paris and is facing increasing competitive pressures. It is not the basis on which most of them made their investment.

Perhaps Mr Scott can be persuaded to rethink his hasty decision?

Sneaking out

Anyone who has ever turned on a television set in America this year must know who Dan and Dave are and what they put on their feet.

Indeed so ubiquitous and intrusive had been Reebok's multi-million dollar campaign promoting the expected Olympic tussle between US decathletes, Dan O'Brien and Dave Johnson, that there seemed to be a case for changing the rules at Barcelona - for example, by insisting that all runners wear

hobnailed boots or go barefoot. Remarkably these subversive dreams have been suddenly realised. O'Brien - unbelievably since he probably is the best decathlete in the world - failed to qualify for the US Olympic team last weekend.

NBC television, which paid a small fortune for the rights to televise the Olympics, covered the event as if it were a national, rather than a personal, tragedy.

Reebok, on the other hand, quickly substituted Dan and Dave on the air with an older commercial, promoting two sportsmen who go by the name of "Rocket". But it must be wondering if it has lost its marketing touch.

For, at the same time as Dan was flunking his pole vault, Roger "Rocket" Clemens, the wonderful Boston baseball pitcher, was being hit all over the ball park in his worst performance of the year.

Cutback

Trimming expenses is one thing, but Royal Bank of Canada has ruffled more than a few hairs by doing away with its corporate barbers.

For a modest C\$26 (about £12) a quarter, employees have for years been entitled to as many haircuts as they need from a brace of barbers installed in the bank's head offices in Montreal and Toronto.

But with the man in Montreal about to retire, and his counterpart in Toronto topping only 35 polls or so weekly, the bank has elected to cease subsidising the said fringe benefit.

The bankers should have seen the scissors coming a couple of years ago, when Royal gave the boot to the man who polished senior executives' shoes each morning.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

High-tech rackets are ruination of tennis

From D B Harley.

Sir, As I watched on German television some of the men's singles matches at Wimbledon, that of Boris Becker versus Martin Damm was typical of what one now is used to in grass and hard courts championships.

By my reckoning, each point consisted on average of just three strokes - service, return, and volley. Thus, in each hour, the ball was actually in play for about three-and-a-half to four minutes maximum. The German television commentator ironically, and in my view aptly, referred to both players as "Aufschlagsmaschinen" - hitting machines.

The introduction of the "high-tech" racket in the 1970s has massively contributed to the ruination of men's championship tennis, transforming it largely into a spectacle of power and speed, dominated perforce by men well over six feet in height, who by the very nature of their technique, lack the artistry, touch and grace of their predecessors.

What I really fail to understand is the attitude of the Wimbledon spectators who are prepared to pay for, and sit through such boredom, "enjoying", if that is the word, watching the ball in play for so short a time - probably less than 7 per cent of total match time.

D B Harley,
Sagenstrasse 35,
6318 Walchwil,
Switzerland

Weasel words are no basis for economic and monetary union

From Mr Nick Parsons.

Sir, Mr Samuel Brittan argues most cogently (Economic Viewpoint, June 25) that "I am not advocating short-termism but merely avoiding a pretence to knowledge that we do not have". He also states that, the Maastricht guidelines (on deficit/GNP ratios) "are probably meant to apply over a cycle as a whole".

Surely we have no knowledge that this is implied by the Maastricht criteria? If it were then we could argue that every country is currently meeting the deficit/GNP targets by virtue of the different lengths of their economic cycles. Such an interpretation would be a gift to finance ministers currently struggling with their own definitions of "medium term", "long term" and "over the course of the business cycle".

An inability to meet deficit reduction targets in both absolute and proportional terms can be blamed on below-trend economic growth or actual declines in output. As this year's UK Financial Statement and Budget Report states: "...that judgment must be made in the light of all the circumstances, including the medium term economic and budgetary position."

Can we really move to closer economic and monetary union based on weasel words and is it likely that the German authorities would permit such a subjective interpretation of quantifiable convergence criteria?

If European countries want to join a hard-core D-mark bloc it is entirely up to them. They can all move to narrow bands in the ERM; they could individually move to permanent fixity of exchange rate parities. But to claim that convergence is proceeding were it not for the nasty economic cycle is surely to miss the point. It is the cycle itself we should be concerned about.

Nick Parsons,
head of treasury advisory group,
Canadian Imperial
Bank of Commerce,
Cottons Centre,
Cottons Lane, London SE1 2QL

cases of former patients ending up on the streets. Some were referred directly from hospital to a rundown, insanitary hostel.

If this government does announce a plan to transfer resources directly from acute to primary care by closing hospitals, it does not deserve to be believed.

Philip Whiteley,
Trisold,
Ainsmore Lane,
Rugger,
West Sussex RH12 4PS

A formula to quantify risk

From Mr R J Barton.

Sir, Mr Ingleton (Letters, June 22) is right. Capital, and an acceptable return on it, are Lloyd's most urgent needs.

The Council is understood to be proposing that, from 1993 onwards, a Name's liability be limited to 80 per cent of his/her premium allocation over a four-year period. Presumably, one result of this will be for each Name to demonstrate acceptable liquidity equal to at least his/her chosen liability limit. This will go a long way to restoring confidence, and delight the rating agencies.

The council's proposal will mean that for the first time Names will be able to quantify their risk capital and, also for the first time, will be able to calculate their actual pre-tax rate of return on that capital. But if Lloyd's is to attract fresh capital, there will have to be at least the prospect of a venture capital rate of return.

R J Barton,
108 Randolph Avenue,
London W9 1PQ

Wrong to assume that all hostages in Lebanon have been freed

From Mr George Tombs.

Sir, I agree wholeheartedly with Observer's assessment of Mr Giandomenico Picco ("Smart choice", June 23). The outgoing UN hostage negotiator has done a tremendous service to the cause of world freedom.

However, international media such as the Financial Times have done a disservice by assuming the "last of the

Western hostages" have been released, now that two German hostages have returned home.

Henriette Haddad, a Canadian-Lebanese dual citizen, was kidnapped on September 26 1985, in West Beirut. There is no substantive proof she is dead. Actually, a mountain of evidence suggests she is still alive, and held by fundamentalists in the Bekaa Valley. Mr Picco added her to his list of

hostages on March 31 last. Several cases of other Westerners have never been resolved: Alberto Molinari, an Italian kidnapped on September 11 1985; Florence Raad, a French-Lebanese dual citizen kidnapped in May 1985; Alec Cole, a British journalist working for UNRWA, kidnapped in March of the same year.

We might also consider that the distinction, Western/Middle

Eastern, is an arbitrary one. Lebanese hostages, who may well number in the hundreds, no less deserve our support and sympathy. We must not bury people until they are proven dead.

George Tombs,
Committee Secretary,
Canadian Committee to Free
Henriette Haddad,
Montreal,
Canada



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Cabinet selections underline commitment to curbing public sector deficit Amato forms Italian government

By Robert Graham in Rome

PRESIDENT Oscar Luigi Scalfaro last night swore in Italy's 51st post-war government. Headed by Mr. Giuliano Amato, the new government has committed itself to implementing urgent measures to restore the country's public finances, and to introducing institutional reform.

Mr. Amato, 54, failed to obtain the formal backing of any of the parties outside the outgoing coalition of Christian Democrats, Socialists, Social Democrats and Liberals.

This four-party coalition was discredited by a large protest vote in the April 5 general election and its majority has been reduced to 16 in the 630-seat chamber of deputies. In spite of a fragile majority and serious internal differences, especially within the Christian Democrats, Mr. Amato is expected to survive tomorrow's vote of confidence in parliament.

The new government fills a power vacuum which has lasted nearly three months. Mr. Amato has faced considerable difficulties in building up a consensus and took the unusual step last week of issuing a 23-page policy paper to the 16 parties represented in parliament. The paper laid out four priority areas for action: restoring Italy's public finances; the fight against organised crime; institutional reform; and cleaning up public morality.

At one stage over the weekend he was close to giving up as the party bosses persisted in their traditional tactic of dictating the composition of the government. However, backed by President Scalfaro he has achieved a measure of independence.

This is reflected in the reduction of the cabinet from a record



Italian prime minister Giuliano Amato (left) leaves the Quirinale Palace in Rome yesterday after announcing his new government. With him is President Oscar Luigi Scalfaro

32 to 24 portfolios, new faces and the presence of six "technicians". Nine new ministers are Christian Democrats, six Socialists and two each from the minor coalition partners.

Mr. Amato has retained the three unwieldy finance ministries but the choice of ministers underlines his commitment to curbing the public sector deficit. The Treasury goes to Mr. Piero Barucci, currently managing director of Credito Italiano, and the bud-

get portfolio is held by Professor Franco Reviglio, an academic who has been finance minister as well as head of ENI, the state oil concern.

In a significant move, the Ministry for the South - the worst area for wasted public investment - has been merged into the Budget Ministry. The Ministry of State Shareholdings has been incorporated into the Ministry of Industry which should accelerate privatisation. The only politician

in an economic portfolio is Mr. Giovanni Goria, the reformist Christian Democrat premier from 1987-88, who takes over as finance minister.

Notably absent is Mr. Giulio Andreotti, the outgoing premier and veteran Christian Democrat. The new foreign minister is Mr. Enzo Scotti, former interior minister. Mr. Carlo Ripa di Meana, EC Commissioner for the Environment, returns to Rome to take over the environment portfolio.

THE LEX COLUMN Japan after the bubble

There is a certain aptness about the fact that last week's plunge in the Tokyo equity market came just as most Japanese companies were holding their annual general meetings. When the Japanese asset bubble burst a couple of years ago, the immediate threat seemed to be to the Japanese financial system and the economy at large. But so far at least, the real sufferers have turned out to be neither Japanese banks nor consumers, but the big Japanese corporations.

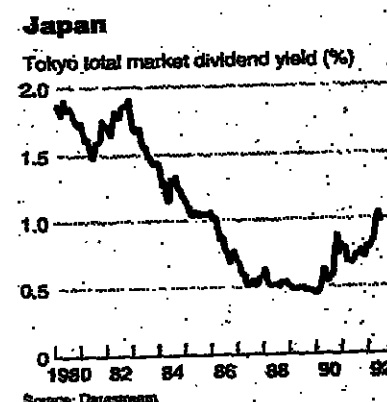
The damage is not so much to their balance sheets and profitability - though that is real enough - as to their self-regard. Previous crises, such as the oil shock of 1973 or the sharp rise in the yen in the mid-1980s, were external in origin and could be addressed accordingly. But the follies of the bubble years - the excess borrowing and investment, the scandals and corruption - were purely self-inflicted. As a result, corporate Japan is going through an unprecedented bout of self-examination.

Companies have taken to asking themselves whether they have been misusing their resources, both human and financial. Perhaps they should pay less attention to market share and more to return on equity. Perhaps more of that return should be handed back to shareholders in the form of dividends. Perhaps the staff should work shorter hours and be paid by merit rather than seniority. Perhaps how the cake is divided between consumers, shareholders and employees needs fundamental review.

The dividend case

How much of the recent fall is mere bottom-of-the-cycle pessimism is open to question. Certainly, there is pressure for change from disgruntled institutional shareholders. Historically, the rationale for buying Japanese equities has been capital appreciation. Growth opportunities being what they were, it made excellent sense for companies and shareholders to plough everything back into the business. But if the growth is not there any more, say the institutions, neither is the capital appreciation. It is up to the companies to make good the difference by shell-

ing out. There are several flaws in this approach. First, the competitive behaviour of Japanese corporations is a function of the markets in which they operate. It would be nice to respond to tougher market conditions by easing competition and raising



margins. It is less clear how this is to be achieved. Second, the stock market bubble was the fault, not of companies, but of investors. Certainly, some Japanese corporations wallowed in greed and chicanery with the best of them. They also took advantage of high stock prices to raise huge quantities of cheap capital, much of which they then squandered. But it seems odd to suggest that they should transform their operational strategies simply because their shareholders made fools of themselves.

Basic problems

This is not to deny that the big Japanese manufacturers are under heavy pressure. But on a long view, those problems which can be attributed to the asset bubble seem largely transitory. Much has been made of the vast sums raised on the basis of equity warrants which must now be repaid because the warrants are worthless. But companies will issue new bonds to pay off the old, and the old bondholders will doubtless reinvest accordingly. The fact that the rate of interest will shoot up from perhaps 0.5 per cent to 8 per cent is a problem for the profit and loss account, but not for the balance sheet or the financial system in general.

Again, much of the cheap money went on a huge surge in capital investment. Perhaps a third of that went on new capacity, which will be taken up as demand eventually recovers. Much of the rest went on what might be termed over-differentiation: video recorders with too many buttons, cars with too many flashing lights on the dashboard. That kind of thing was popular with Japanese consumers in the bubble years and is now out of fashion. If the fashion returns with the

cycle, the manufacturers are tooled up to supply it.

But there are more fundamental problems which the bursting of the bubble has merely brought forward. A remarkable number of Japan's big manufacturing sectors seem beleaguered one way or another. The auto industry is experiencing an unprecedented drop in domestic demand. In the old days, it might have offset this by increasing sales overseas. Now it not only faces trade friction: it also manufactures abroad on a huge scale already. The consumer electronics industry faces market saturation and a dearth of new products. Much is pinned on high definition television and associated gadgets: sceptics are doubtful. The construction industry has been promised huge infrastructure spending, but the long-term pressure on government spending points the other way.

Social change

Above all, the vogue for higher profits and better working conditions is in line with a basic shift in Japanese society, whereby the inhabitants of an economic superpower are becoming increasingly dissatisfied with their living standards and working conditions. In corporate terms, this means Japanese industry moving gradually towards a more mature Western model. For its competitors in the West, this will be a profoundly welcome development. What it means for the investment community is another matter.

It can be argued that the ultimate value of an equity always lies in its income potential: that when investors buy a share on a high price and they yield, they do so on the expectation that it will throw off cash when the business finally reaches maturity. If the share was correctly priced in the first place, there is no reason why the price should fall as the process unfolds.

Applied to the Japanese equity market as a whole, this view calls for a degree of heroism. Even now, the market yield is a mere 1.1 per cent, compared to a world average of 2.9 per cent and around 5.5 per cent on Japanese government bonds. This is at least within shouting distance of conventional valuations, and, again taking the long view, might even represent fair value. In the shorter term, there are enough uncertainties - both transitory and fundamental - to make it hard to call the turn.

FBI finds body of UK charity wins Exxon executive cancer drug deal

By Alan Friedman in New York

THE body of Mr. Sidney Reso, president of the international division of Exxon, the US oil group, was found at the weekend, ending the highest profile kidnapping case in the US for nearly 20 years.

The FBI yesterday confirmed that officers had positively identified the corpse of Mr. Reso, 57, who was abducted two months ago. The law enforcement agency said Mr. Reso's body was found on Saturday in a wooded section of southern New Jersey.

The discovery of Mr. Reso's corpse, which confirmed the worst fears of law enforcement officials, came eight days after the FBI arrested a former Exxon security guard and his wife.

Mr. and Mrs. Arthur Seal, both 45, were indicted last week on kidnapping and extortion charges. They were arrested in the early hours of June 19 after allegedly sending a series of messages to Exxon, demanding \$18.5m (£10m) of ransom money for Mr. Reso.

The FBI declined to say whether the two, who had initially refused to co-operate with investigators after being captured, supplied the information

that led police to find Mr. Reso's body.

They are alleged to have participated in the abduction of Mr. Reso on April 23, when the Exxon executive's empty car was found at the foot of the driveway to his New Jersey home.

Mr. Michael Murphy, a New Jersey county prosecutor, yesterday said state murder charges would be filed against one or both either today or tomorrow.

The detailed circumstances of Mr. Reso's death are not yet known, but the FBI said an autopsy was being performed last night.

The FBI, which at the height of the search for Mr. Reso had deployed 250 agents, said it had conducted the most exhaustive kidnapping investigation since the 1974 abduction of Patty Hearst, a member of the Hearst publishing family.

Mr. Lawrence Rawl, chairman of Exxon, said he was deeply distressed to learn of "the tragic and senseless death" of Mr. Reso, who had worked for Exxon for 35 years.

The Exxon chairman, who has remained silent during the investigation, expressed his thanks to US law enforcement officials involved in the kidnapping case.

By Paul Abrahams in London

CANCER Research Campaign, a UK charity, has a signed a deal with Schering-Plough, the US pharmaceuticals company, to develop a pioneering cancer treatment which could earn the charity as much as £20m (\$37m) a year.

The drug, called Temozolomide, is the first effective treatment for glioma, a form of brain tumour. Cancer Research funded research and development of the drug which was discovered by Aston University in Britain.

Further clinical trials to establish the drug's effectiveness on other forms of cancer are being set up. Professor Edward Newlands, the head of cancer medicine at London's Charing Cross and Westminster Medical School and director of the drug's clinical trials, said it may prove effective against bone marrow cancer.

The agreement is worth an immediate \$1.5m with a further \$4m paid to the charity during development.

Once the drug is launched, the charity will receive royalty payments. These could be worth up to £20m a year, according to Dr Sue Foden, managing director of Cancer Research Campaign Tech-

nology, the charity's technology transfer subsidiary. Last year the charity's income, raised mainly through voluntary contributions, was £40.6m.

Under the agreement, the charity will receive about 40 per cent of royalties which are worth between 2 per cent and 8 per cent of sales depending on volume.

Professor Newlands explained that half of glioma patients using the drug had shown clinical benefit, and as many as 40 per cent had demonstrated an improvement when examined with brain scans. Patients with skin cancer had also shown some improvement. He said this was the first time a drug had had a repeatable noteworthy effect on brain tumours.

The agreement fits into Schering-Plough's strategy to strengthen its range of anti-cancer drugs. The charity said it hoped the company would be able to use the US Food and Drug Administration's accelerated licensing programme so the medicine would be on the US market within five years.

The potential market for Temozolomide was difficult to predict because it depended whether it worked against other cancers, Professor Newlands said.

IMF in Moscow talks to save aid deal

By John Lloyd in Moscow

AN International Monetary Fund team will today hold talks in Moscow to try to salvage an aid agreement with the Russian government against a backdrop of faltering economic reforms.

The Fund is facing one of the most difficult dilemmas of its post-war history. Thrust by western governments into assessing the fitness of Russian reform to receive a package of \$24bn worth of aid, it is balancing political pressure to "help the Russians" against its own judgments that the economic reforms are in peril.

"There will be a financial Chernobyl in this country," said Professor Steve Hanks, head of economics at the US John Hopkins University and a member of a free market economic institute in Moscow. "And the IMF is trying

to save its credibility from the meltdown."

He is not alone in his assessment. "Every time they [the IMF] negotiate with the Russians the budget deficit seems to go up by another Rb100bn," said one economist in Moscow last week for a session of the World Economic Conference. "They're in a terrible position".

A senior World Bank official sees a larger problem: "The real danger is not that the money will be 'wasted'; it is not much money compared to their needs. The danger is that it will not attract other, private investment, as it is supposed to do. It will remain as a political gesture which the private investors are not willing to follow. The rigour of the first three months of reform has now largely gone. The story now on subsidies and credit is worse all the time. The IMF looks at this and can't really do much."

Budget figures estimate that subsidies, held down to Rb55bn (\$640m) in the first quarter of the year, will grow to Rb500bn during the year - but foreign economists believe that might swell to Rb500bn or more. At the same time credits, held down to Rb37bn in the first quarter, are expected to rise to a yearly total of Rb470bn, which does not include a recently announced sum of Rb500bn for inter-enterprise debt and payments to non-Russian plants for deliveries.

The IMF has already moved from what was seen by its many critics in Russia and abroad as a rigid position to a more accommodating one: it will soon provide a \$1bn "first tranche" payment. According to Mr. Alexander Shokhin, the deputy prime minister in charge of overseas economic affairs, the money will go towards supporting the rouble when a unified exchange rate

comes into force on July 1.

It now seems certain that the Fund will ultimately agree a programme with the Russian government, unlocking the \$24bn of foreign aid. But insiders think it will do so reluctantly, and with concern that its approval will be held against it if the reforms collapse under hyperinflation and political and social upheaval.

Diplomats in Moscow see the IMF as having been made into an advance guard for the Group of Seven leading industrial countries - but left to bear all the fire without support from the rear. "It is not right for the G7 to hide behind the IMF," said one senior Western ambassador. "They have the political imperative to do something, and they must make the decisions themselves."

Russia's reformers must disguise their success, Page 2

World Weather		°C		°F		°C		°F		°C		°F			
Algeria	F	69	0	Boulogne	S	57	7	Frankfurt	S	58	7	Osaka	F	68	0
Amsterdam	F	27	81	Braunschweig	S	27	81	Geneve	S	27	81	Paris	F	27	81
Atlanta	F	27	81	Buenos Aires	F	27	81	Glasgow	S	27	81	Perth	F	27	81
Bahamas	S	36	97	Calcutta	S	23	90	Hong Kong	C	27	81	Rangoon	C	27	81
Bangkok	C	33	91	Cardiff	F	22	72	Los Angeles	F	27	81	Sao Paulo	F	27	81
Barcelona	C	27	81	Chicago	F	27	81	Madras	C	27	81	Singapore	C	27	81
Beijing	F	27	81	Copenhagen	F	21	70	Manila	C	27	81	Tokyo	C	27	81
Bombay	C	27	81	Colombo	C	24	75	Moscow	F	27	81	Toronto	F	27	81
Buenos Aires	F	27	81	Dakar	F	27	81	New Delhi	C	33	91	Ulaanbaatar	C	27	81
Calcutta	C	27	81	Dallas	F	27	81	New York	F	27	81	Washington	F	27	81
Cardiff	F	22	72	Delhi	C	27	81	Osaka	F	68	0	Yokohama	C	27	81
Chennai	C	27	81	Detroit	F	14	57	Perth	F	27	81				
Copenhagen	F	27	81	Edinburgh	F	27	81	Rangoon	C	27	81				
Dakar	F	27	81	Geneve	S	27	81	Sao Paulo	F	27	81				
Dallas	F	27	81	Hong Kong	C	27	81	Singapore	C	27	81				
Delhi	C	27	81	Los Angeles	F	27	81	Tokyo	C	27	81				
Detroit	F	14	57	Manila	C	27	81	Toronto	F	27	81				
Edinburgh	F	27	81	Moscow	F	27	81	Ulaanbaatar	C	27	81				
Geneve	S	27	81	New Delhi	C	33	91	Washington	F	27	81				
Hong Kong	C	27	81	New York	F	27	81	Yokohama	C	27	81				
Los Angeles	F	27	81	Osaka	F	68	0								
Manila	C	27	81	Perth	F	27	81								
Moscow	F	27	81	Rangoon	C	27	81								
New Delhi	C	33	91	Sao Paulo	F	27	81								
New York	F	27	81	Singapore	C	27	81								
Osaka	F	68	0	Tokyo	C	27	81								
Paris	F	27	81	Toronto	F	27	81								
Perth	F	27	81	Ulaanbaatar	C	27	81								
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Tokyo	C	27	81												
Toronto	F	27	81												
Ulaanbaatar	C	27	81												
Washington	F	27	81												
Yokohama	C	27	81												

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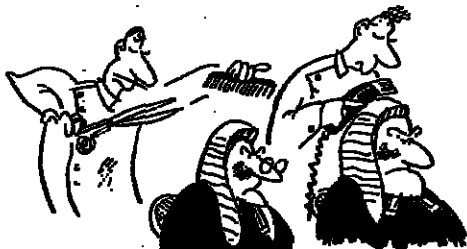
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INSIDE

Changing times for European insurers

Mr Eugenio Coppola di Canzano, chairman of Generali, Italy's biggest insurance company, has seen signs of "a certain improvement" in the market. However, the French insurance industry is poised for another difficult year in 1992, warned UAP and AGF, two of France's largest insurance groups. Meanwhile, Finland's insurance industry is being restructured through a new grouping under the direction of the country's largest commercial bank. **Page 15**

Restyling judges



Louise Blom-Cooper QC addresses the Lord Chancellor on the issue of the popular voice and the future of judges' horsehair wigs. **Back Page**

Retailer appointment expected

Amber Day, the UK retailer, is expected to announce the appointment of a new finance director this week. The move is seen by the company's advisers as a step towards regaining the support of investors who have lost confidence in Mr Philip Green, chairman and chief executive. The company's shares have fallen from 125p to 38p in six months. **Page 14**

Total sell-off

The French government's FF9.5bn (\$1.6bn) sale of shares in the Total oil group, the biggest issue so far in France's partial privatisation programme, has been oversubscribed. **Page 15**

Danes upset French bonds

French bonds were falling well until the beginning of this month when the Danes voted 'no' to Maastricht. **Page 16**

HSBC may set bid funding trend

The smooth completion of Hongkong and Shanghai Banking Corporation's crucial bond financing of its £3.6bn (\$6.8bn) takeover of Midland Bank could herald further bond market funding of bids. **Page 17**

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Optimism contrasts with retribution from advisers to forthcoming and cancelled share issues

Wellcome fall seen as no threat to offer

By Paul Abrahams in London

ADVISERS to Wellcome Trust, the charity planning to sell a large tranche of its stake in the drugs group Wellcome, yesterday denied there was any threat to the £3bn (\$5.68bn) issue.

Mr Philip Bradley, a director of Robert Fleming, the London merchant bank co-ordinating the global offer, said there was nothing unusual about the sharp fall

in Wellcome's share price since the offer was announced last March.

Last week's drop in the Wellcome share price to 887p is 21 per cent below the level prevailing when Wellcome Trust announced the sale of part of its 73.5 per cent holding.

Mr John Robb, chief executive, leaves for Tokyo tomorrow to market the issue worldwide. Mr Bradley said Wellcome's

share price was being driven down by institutional investors.

It was in the interests of institutional shareholders to see a lower price in the run-up to the offer, he said.

He denied some reports that the Trust was considering pulling the issue.

"It would require the most extraordinary circumstance or indeed an act of God for us to consider pulling an issue before

the three-week book building process commencing on July 6 has even begun," he said.

"The Trust is not required to raise any particular level of funds," Mr Bradley insisted. "When we announced the provisional size of the offer last Thursday we could afford to use a considerable degree of conservatism."

The company's shares are likely to remain volatile before

the offer closes on July 24. The stock is regarded as unusually illiquid, with about 70 per cent of the traded shares being held by only 30 institutions.

Additional volatility is added by Wellcome's second best-selling drug, Retrovir, the anti-HIV medicine. Although it represents only 11 per cent of the group's turnover, any story about a new HIV treatment has a disproportionate effect on the share price.

Goldman defends its role in attempted GPA float

By Roland Rudd in London

GOLDMAN Sachs, the US investment house, yesterday said GPA failed to get a public listing because of institutional uncertainty over the nature of its business. It was not because of general problems in the airline industry.

For the first time since GPA, the Shannon-based aircraft leasing group, was forced to abandon its £800m (\$1.5bn) flotation on June 18, Goldman Sachs publicly defended its role as US lead manager.

Mr Eric Dobkin, Goldman's partner in charge of equity capital markets, said: "US institutions will invest in good businesses where they believe management is doing a good job."

He said that last week Goldman raised \$1.15bn for Delta Airlines, through a convertible preference share issue, and \$495m for Lasso when it floated Ultramar, its North American oil refining business.

He said that the decision of US institutions to invest in an airline and an energy company less than two weeks after GPA aborted its flotation showed that the latter was a one-off case.

Mr Dobkin added: "When it came to GPA they were just too uncertain about the outlook for the business. In addition the current state of the global equity markets made it a bit more difficult." Goldman Sachs has been criticised by some of GPA's other advisers for failing to persuade US institutional investors to buy shares.

GPA has also said it was deeply disappointed with its advisers' failure to ensure US institutional support. It added that it was forced to abandon its flotation at the last minute because support from US institutional investors suddenly collapsed.

Mr Tony Ryan, GPA chairman, has said that he is still committed to seeking a public listing for GPA. One of the options available to the group is trying for a public listing in either New York or London.

Mr Dobkin said he had been surprised at the lack of support from institutions in the UK, which was supposed to have been the home market for GPA. "The US institutions were looking to the UK for support and did not find it."

Nestlé's takeover of Perrier is reshaping EC competition policy, writes Guy de Jonquières

Brussels plays the duopoly card

TOMORROW'S negotiations between Mr Helmut Maucher, chairman of Nestlé and Sir Leon Brittan, the EC competition commissioner, signal the start of a tense poker game, in which much more is at stake than the terms of the Swiss food company's FF13bn (\$2.5bn) takeover of Perrier, France's largest mineral water supplier.

The case is also shaping up as a test of Brussels' efforts to broaden the scope of its fledgling merger policy in a way which would greatly extend its control over future deals in a wide range of European industries.

At the heart of the dispute is the contention by the commission's merger task force that it has "serious doubts" about the Perrier deal on the grounds that it could give Nestlé and BSN, France's largest food company, a duopoly of the French mineral water market.

This is the first time Brussels has challenged a takeover on duopoly grounds since the EC merger regulation came into force 21 months ago.

Nestlé, which had believed the deal would be cleared, accuses Brussels of moving the goalposts in the middle of the game. Mr Reto Domeniconi, Nestlé's finance director, said the merger task force had already said it would not object to the deal if the company agreed to find another buyer for Volvic, one of Perrier's biggest brands, instead of selling it to BSN, as planned.

But Nestlé has rejected the proposal on the grounds that the sale to BSN is integral to the whole Perrier deal. "We have

made a clear agreement with Mr Antoine Riboud (BSN's chairman), and we will stick to this as long as we are not forbidden to do so by a ruling," Mr Maucher said.

Nestlé has also challenged the duopoly allegation but says it is ready to discuss a compromise. "We are not ruling out any negotiation," Mr Domeniconi said last week.

The outcome of tomorrow's talks is expected to hinge on whether Nestlé or BSN is prepared to dispose of enough mineral water brands to reduce their shares of the French market to a level which Sir Leon and his advisers consider acceptable.

Though duopoly theory is part of competition policies in Britain and Germany, it does not feature in the text of the EC merger regulation. Legal experts are sharply divided over whether Brussels is - or should be - allowed to apply the theory when judging mergers.

Professor Barry Hawk of the Brussels office of Skadden Arps, a leading US law firm, says that if the Perrier case established the duopoly principle in EC law, it would be "a landmark". He thinks the commission would then seek to expand its powers further by challenging looser oligopolies - markets with several big players.

Mr Domeniconi argues that the result would be to frustrate industrial restructuring by discouraging takeover bids, particularly hostile ones. As an active acquirer, which regularly uses takeovers to increase its share of markets which it does not

already dominate, Nestlé could be a prime target.

With so much at risk, the company is fighting the commission every inch of the way. While Nestlé's lawyers battle with the merger task force, its top executives are mobilising support in an effort to influence the 17 commissioners who will eventually decide the case.

"Because this ruling will be very decisive for many future rulings, this has become very political," says Mr Maucher. "I would say that at least all the commissioners will be involved, if not some of the ministers."

Thanks to help from BSN and other French allies, Nestlé is confident that Mr Jacques Delors, the commission president, and Mrs Christine Scrivener, France's other commissioner, will not oppose the deal. Mr Martin Bangemann, the German industry commissioner, is also counted on for support.

If these attempts to outflank Sir Leon failed, and a majority of his colleagues voted to block the Perrier deal, Nestlé says it would appeal to the European Court of Justice.

How far Sir Leon will be swayed by these tactics remains to be seen. A defeat at the hands of his fellow commissioners would deal a humiliating blow to his personal standing and the authority of EC merger policy.

But Sir Leon also knows that Nestlé risks losing a lot if it refuses to give ground.

At worst, the commission could order Nestlé to unstick the entire deal and put Perrier up for sale. Although Nestlé has said that if the commission ruled against the deal, it would immediately appeal to the European Court of Justice, the case could take years to reach a conclusion.

Nestlé's voting rights over Perrier shares have been suspended since the EC merger investigation opened, preventing the Swiss company from controlling the management of the mineral water group, who in any case opposed the takeover bid.

A lengthy court battle could leave Perrier rudderless, impeding its ability to compete and eroding the value of its brands. Even if Nestlé won an appeal, it

Record amounts raised in US issues

By Patrick Harverson in New York

US COMPANIES raised a record \$420bn in new equity and debt issues during the first half of this year, according to preliminary figures released by Securities Data, the US financial information specialist. In the first half of 1991, \$280bn was raised in new issues.

Two factors were behind the record financings: historically low US interest rates and buoyant stock markets. The lowest interest rates in almost 30 years fuelled a boom in the corporate bonds market where companies raised \$146bn in 929 issues of new debt, 43 per cent more than in the first half of 1991.

Even the much-derided junk bond market enjoyed a banner first half. Offerings reached a record \$18.8bn, beating the \$16.7bn raised in the second half of 1991 when the junk market was at its height.

In the equity markets, the continued strength in stock prices resulted in a record 603 issues worth \$41.3bn being sold to investors, topping the previous year's first-half record of \$27bn (with \$68bn raised in 1991 as a whole).

Initial public offerings (IPOs) of stock, the US version of flotations, also set a record at \$19.6bn. However, there were fewer IPOs in the April-June period than in the opening quarter. The boom in new equity and debt issues led to huge revenues for Wall Street. Underwriting fees totalled \$3.5bn in the first half.

Investment crisis put in perspective

A glance at events over the past seven days might almost suggest that the UK is facing an investment crisis.

Among last week's gross domestic product figures was the news that manufacturing investment fell by a real 6 per cent in the first quarter compared with the final three months of last year, and was respectively 13 per cent and 38 per cent down on the first quarters of 1991 and 1990.

The new half-yearly outlook for the industrial world's economy from the Organisation for Economic Co-operation and Development in Paris put the UK at the bottom of the Group of Seven countries' business investment league. Not only does the OECD expect gross private non-residential fixed capital formation in Britain to register a decline this year for the third year running, it also forecasts that Britain will experience the slowest business investment growth of the G7 countries in 1993.

In the committee stage of the finance bill, Labour MPs tried to retain the Business Expansion Scheme for manufacturing industry on the grounds that small companies would otherwise be starved of capital to finance investment.

The MPs' concern was increased by last week's gloomy official reports which were based on quantitative data. But are such figures the best way to judge investment trends?

Mr Martin Ricketts, economic director of the National Economic Development Office, suggests that poor investment figures do not tell the whole story. Value for money should also be considered when looking at investment statistics. In a paper destined for a National Economic Development Council meeting, but which, since the government decision to kill off Neddy, Mr Ricketts has completed in a personal capacity, he argues that any government that set

out in pursuit of quantitative investment targets would be making a big mistake.

The collapse of communism bears out this idea. As Mr Ricketts observes: "No society was more driven by the demands of investment than that of the Soviet Union and few can have used investment to so little effect."

Nearer home, the fact that Britain is well represented among the world's most profitable companies suggests that some managements are

only established by continuous attention to the customer.

Such assets take time to create. They cannot simply be bought off the shelf or created through government schemes.

On the other hand, few people would dispute that Britain, with unemployment heading towards 8m, needs more investment. Much of the good achieved in the 1980s, when UK business investment grew more than 40 per cent and at a rate second only to that of Japan among the G7, has been

Economics Notebook

By Peter Norman

extracting more in profit and value added from the investments they make than some of their rivals.

The relative success of some UK businesses indicates that factors other than the volume of capital investment create competitive advantage. These, according to Mr Ricketts, are assets which potential rivals find hard to copy and include:

- Technical innovation. While Britain's spending on research and development as a share of GDP is lower than that of the US, Germany, Japan and France, some companies such as Glaxo have proved to be successful in turning product innovation into high profits.
- Teamwork. This entails the creation of a co-operative, alert and adaptable workforce.
- Reputation. This important form of intangible capital can

undone by the recession.

In these circumstances, what should the government's policy be? Mr Ricketts suggests that policy objectives should focus on facilitating the creation of competitive advantage and on removing impediments to investment rather than offering investment incentives that might be of dubious value.

The government is already doing some of the right things, according to Mr Walter Ellis, Nedo's director-general. He singles out the encouragement given to foreign companies to set up shop in Britain as an important part of an investment-friendly industrial policy.

Foreign-owned companies employed 14.6 per cent of the workers in manufacturing industry in 1989. But they paid 17.6 per cent of the wages and salaries and produced 23.5 per

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June 1992

COMPANIES AND FINANCE

Amber Day appointment this week

By Richard Gourley

AMBER DAY, the retailer that has suffered a collapse of its share price from 129p to 38p in six months, is expected to announce the appointment of a new finance director this week.

The move is seen by the company's advisers as a first step towards regaining the support of investors who have lost confidence in Mr Philip Green, the chairman and chief executive.

Mr Green's success in developing the "pile 'em high, sell 'em cheap" formula through the What Everyone Wants retail chain has been in marked contrast with his inability to build a sound bridge to his institutional investors.

A flurry of stories about Mr Green's personal affairs and business relations with a key shareholder - all of which he and his advisers, Samuel Montagu, say carry no water - has undermined support for Mr Green and the stock.

Two weeks ago, Mr Green also had to announce that the company would not meet analysts' pre-tax profits forecasts

of about £14m-15m and that the finance director, Mr Graham Coles, and the company's only non-executive director, Mr Leslie Warman, were to resign.

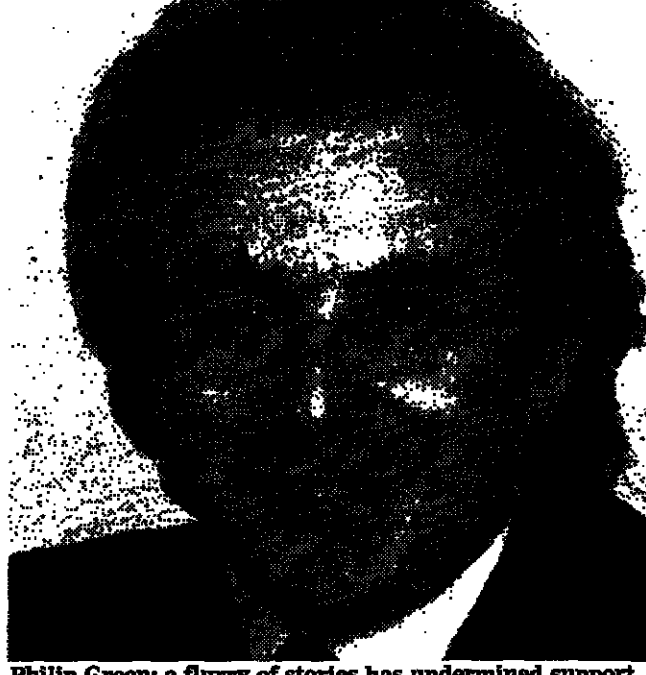
The appointment of a new finance director is unlikely, on its own, to staunch the growing tide of institutional disenchantment until Mr Green's role is split and a new and forceful executive chairman is appointed.

Last week, as the share price continued to tumble, one analyst described Amber Day as a "friendly stock". "All those who believe in Mr Green already hold the stock and those who don't won't touch it even at this price."

The persistent lack of support has also generated bid rumours, with In-Shops, the Birmingham retailer, the latest candidate.

In-Shops, which reports its preliminary results today, has a market capitalisation of about £31m - a fifth of Amber Day's value at its peak last year. It made a pre-tax profit in the six months to September 1991 of £1.05m, down from £1.91m.

When Amber Day bought the



Philip Green: a flurry of stories has undermined support

What Everyone Wants retail chain in 1990, In-Shops was also a potential purchaser.

Amber Day's new finance director, currently a senior finance man at a well-known retailer, will replace Mr Coles who is moving to First Leisure.

Hobson cuts losses and calls for £2m via rights

By Nigel Clark

HOBSON, the USM-quoted toiletries and homeware equipment manufacturer, is raising up to £2m through a rights issue. It also announced a reduced pre-tax loss of £210,000 and that it was in the early stages of making an acquisition.

More than 40m shares are being offered on a 1-for-1 basis at 5p. The shares closed at 7½p on Friday down 1½p on the day.

The issue is being underwritten by Hawknote with the limitation that it does not exceed a 5% per cent stake in the enlarged capital.

Mr Richard Thompson, Hobson's chairman, is a director of Hawknote.

The loss, for the year to March 31, compared with a deficit of £270,000 on turnover of £6.35m (£2.68m).

The company said that the toiletries manufacturing side continued to suffer from the recession and sales were short of expectations.

No improvement was expected until the economy improves.

Trading in physical commodities increased significantly after September 1991 and has continued to make a positive contribution.

Losses per share came out at 0.52p (0.74p).

If Hawknote increases its holding as a result of the underwriting to more than 30 per cent, Mr Richard Thompson will resign as director of Hawknote and Thompson International, Hawknote's parent, and Hobson will cease to conduct its commodity trading through Muirpace, a Thompson offshoot.

And the Takeover Panel has waived the obligation for Hawknote to make a bid.

Hawknote undertakes to cut its holding below 30 per cent within 12 months.

If Hawknote holds more than 48 per cent then it will be able to buy more shares without incurring further obligations to make a general offer to shareholders.

Bain Clarkson in US trading link

By Richard Lapper

BAIN CLARKSON, the insurance broker which is part of Inchcape, the international services and marketing group, is to join forces with American Business Insurance, in a new trading agreement.

The deal will allow Bain Clarkson to offer a local servicing facility to existing and prospective retail and financial services clients with US operations.

ABI, a subsidiary of American Financial Corporation and

the 11th biggest US broker, has 50 offices in North America. Its revenues in 1991 were \$116m.

Mr Simon Arnold, chairman, said "our strategy has been to develop a presence in all the main markets in the world in the most cost effective and efficient way."

Bain Clarkson currently has a 30 office network in the UK, where it ranked third (by brokerage income) in 1990, as well as operations throughout the Asia Pacific region (where it ranks number one), and throughout Europe.

NMW stake changes hands

By Alan Cane

ACT Group, the Birmingham-based computing services company, has spent £2.1m to take a 25.4 per cent stake in NMW Computers which specialises in services and software for the UK security business. It paid 40p a share.

Last year ACT bought Quotient, a software house specialising in financial software and which was a competitor of NMW's.

ACT says that its holding in NMW is purely an investment.

Bett Bros £7.52m in the red midway

BETT Brothers, the builder and property investment group, slid into the red for the six months to February 29. Pre-tax losses for the period amounted to £7.52m against profits of £513,000.

For the year ended August 31 1991 there was an £8.83m deficit.

Turnover fell to £9.49m (£17.8m). The pre-tax result was after an exceptional £8.4m (£4.8m) from the continuing deterioration in the commercial property market in the south of England. Mr Iain Bett, the chairman, said.

There were losses per share of 50.11p (2.26p earnings) and there is no interim dividend (2.1p).

Electric & General

Net asset value of Electric & General Investment Co stood at 152.6p per share at May 31 against 137.1p a year earlier.

Net revenue for the year fell to £2.84m (£2.97m) for earnings per share of 3.14p (3.28p). A proposed final dividend of 1.6p (1.5p) makes a total for the year of 3.1p (3p).

Changes to the London Share Service

A SERIES of changes to the classifications of companies listed on the London Stock Exchange was made at the last quarterly meeting of the FT Actuarial Indices Classification Sub-Committee.

As a result, the following stocks will be moved to new categories in the London Share Service with effect from July 4 1992:

Brandon Hire to Contracting, Construction (FT-A sector 3) from Miscellaneous (FT-A sector 48); Crestacre to Health & Household (27) from Miscellaneous (48); Flextech to Media (30) from Other Financial (70); Kalamazoo to Electronics (6) from Miscellaneous (48); Molyx to Electronics (6) from Electronics (4); Netronics Technology to Electronics (4) from Other Industrial Materials (10); Olives Property to Property (69) from Packaging, Paper & Printing (31); Photo-Me International to Miscellaneous (48) from Leisure (29); Process Systems to Electronics (5) from Other Industrial Materials (10); TDS Circuits to Elec-

tronics (5) from Electronics (4); VTR to Media (30) from Business Services (41).

Investment Trusts

Changes were also agreed in the names and definitions of four Stock Exchange classification categories relating to investment companies. The new definitions are:

UK Investment Trusts (Stock Exchange category 84): "Investment trusts, denominated, accounting and quoted in sterling and registered in the United Kingdom, approved under Section 842 of the Income and Corporation Taxes Act of 1988 or stating the intention to seek approval in a prospectus or other document issued by the board of directors, but either registered outside the United Kingdom or denominated, accounting or quoted in a foreign currency." Companies classified in this Stock Exchange category will appear in the Investment Companies section of the London Share Service.

UK Investment Companies (Stock Exchange category 93): "UK Investment Companies denominated, accounting and quoted in sterling and registered in the United Kingdom but not approved under Section 842 of the Income and Corporation Taxes Act 1988." Companies classified in this Stock Exchange category will continue to appear in the Investment Trust section of the London Share Service.

Other Section 842 Investment Trusts (Stock Exchange category 98): "Investment Trusts, approved under Section

842 of the Income and Corporation Taxes Act of 1988 or stating the intention to seek approval in a prospectus or other document issued by the board of directors, but either registered outside the United Kingdom or denominated, accounting or quoted in a foreign currency." Companies classified in this Stock Exchange category will appear in the Investment Companies section of the London Share Service.

East German Investment to Investment Companies from Investment Trusts; Korea Europe Fund to Investment Companies from Investment Trusts; Korea Libellisation Fund to Investment Companies from Investment Trusts; Latin American Investment Trust to Investment Companies from Investment Trusts; Mediterranean Fund to Investment Companies from Investment Trusts; Schroder Korea to Investment Companies from Investment Trusts.

Approved under Section 842 of the Income and Corporation Taxes Act 1988, and either registered outside the United Kingdom or denominated, accounting or quoted in a foreign currency." Companies classified in this Stock Exchange category will appear in the Investment Companies section of the London Share Service.

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BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Nestle (Switzerland)	Units of Dairy Farm (Hong Kong)	Food Manufacture	£103m	Nestle growing in Asia
Hays (UK)	Groupe FRIL (France)	Food Distribution	£37.6m	Hays into Europe at last
Barclays Metals (UK)	JV	Cobalt production	£29m	Environment friendly venture
BRGM (France) Govt of Uganda	Unit of Tarmac (UK)	Construction materials	£22.9m	Debt reduction disposal
Granite Consortium (US)	Unit of Pirelli (Italy)	Bedding	£19m	Debt reduction disposal
International Investors	SEP Group (Belux)	Moulded plastics	£13.5m	European platform
Plym (UK)	Brown Shipley	Merchant banking	£1	Continues BS break-up
Kreditbank Luxembourg	Alken-Mass (Belgium)	Brewing	n/a	State upped to 75%
BSN (France)	JV	Insurance services	n/a	Deal part of a series
Johnson & Higgins (US)/Jausch & Hubner (Germany)	AEG Hausgerate (Germany)	Household appliances	n/a	Strategic cross-holding accord

Source: FT Mergers & Acquisitions International

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WAH KWONG SHIPPING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
registered no. EC14943

INTRODUCTION TO

THE LONDON STOCK EXCHANGE

of 126,533,264 ordinary shares of HK\$0.10 each

Application has been made to the London Stock Exchange for all the issued Ordinary Shares of HK\$0.10 each in Wah Kwong Shipping Holdings Limited to be admitted to the Official List. It is expected that dealings in the Ordinary Shares will commence on 29th June, 1992.

Copies of the Listing Particulars relating to Wah Kwong Shipping Holdings Limited may be obtained during normal business hours on any weekday (Saturdays and bank holidays excluded) up to and including 13th July, 1992 from:-

Sponsor
Chartered WestLB Limited
33-36 Gracechurch Street
London EC3V 0AX

Financial Adviser
Standard Chartered Asia Limited
33rd Floor, Jardine House, Central
Hong Kong

Broker
Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN

and during normal business hours on 30th June and 1st July, 1992 for collection only from the Company's Announcements Office, Capel Court entrance, off Bartholomew Lane, London EC2. Particulars of Wah Kwong Shipping Holdings Limited will also be included in the Companies Fitch Services, available from Fitch International Limited, 37-45 Paul Street, London, EC2A 4PB.

29th June, 1992

Scandinavian Finance B.V.
(Incorporated in The Netherlands with limited liability)
US\$70,000,000
Floating rate subordinated notes due December 1993
Guaranteed on a subordinated basis by Scandinavian Bank Group plc (Incorporated in England with limited liability)
For the six months 29 June, 1992 to 29 December, 1992 the rate of interest has been fixed at 5 1/4 per cent. Interest payable on the relevant interest payment date, 29 December, 1992 against Coupon No. 13 will be US\$106.75 per US\$4,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

EUROFIMA
European Company for the Financing of Railway Rolling Stock
Yen 20,000,000,000
Floating rate notes due 2005
In accordance with the provisions of the notes, notice is hereby given that for the Interest Period 29 June, 1992 to 29 December, 1992 the notes will carry an interest rate of 4.375% per annum. Interest payable on the relevant interest payment date 29 December, 1992 will amount to Yen 22,151 per Yen 1,000,000 denomination.
Agent: Morgan Guaranty Trust Company
JPMorgan

The Republic of Italy
US \$300,000,000
Floating Rate Notes due 1997
In accordance with the provisions of the Notes, notice is hereby given that the Interest Amounts payable on the next Interest Payment Date 31st July, 1992 will be US \$223.86 for each US \$10,000 Note and US \$4,757.81 for each US \$100,000 Note.
Agent Bank
Bank of America International Limited
26th June, 1992

Notice to the holders of AUTOBACS SEVEN CO., LTD. Warrants
to subscribe for shares of common stock of AUTOBACS SEVEN CO., LTD. ISSUED WITH U.S. \$100,000,000
4 1/2 per cent. Guaranteed Bonds due 1995 and U.S. \$100,000,000
3 per cent. Guaranteed Bonds due 1996
Notice is hereby given as follows:
At the ordinary general meeting of shareholders of AUTOBACS SEVEN CO., LTD. (the "Company") held on 26th June, 1992, an amendment to the Articles of Incorporation of the Company changing the number of shares constituting one unit of shares was approved. As a result, the number of shares constituting one unit will be changed from 1,000 shares to 100 shares as of 31st July, 1992. In connection with the above change, trading of shares of the Company on The Osaka Securities Exchange will be suspended for the period from (and including) 24th July, 1992 up to (and including) 1st August, 1992.
The Daiwa Bank, Limited on behalf of AUTOBACS SEVEN CO., LTD.
29th June, 1992

U.S. \$100,000,000
Floating Rate Subordinated Loan Participation Certificates Due 2000
Issue by **Merrill Lynch Bank AG** (Incorporated in the Federal Republic of Germany with limited liability) for the purpose of funding and maintaining a subordinated loan to **The Saitama Bank, Ltd.** (Incorporated in Japan with limited liability)
Notice is hereby given that for the Interest Period from June 29, 1992 to September 29, 1992 the Certificates will carry an interest rate of 4.2625% per annum. The amount of interest payable on September 29, 1992 will be U.S. \$108.93 per U.S. \$10,000 principal amount of Certificates.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
June 29, 1992

Prices for electricity determined for the purpose of the electricity pooling and settlement arrangements in England and Wales				Prices for electricity determined for the purpose of the electricity pooling and settlement arrangements in Scotland and Northern Ireland			
Period	Pool purchase price	Pool selling price	Pool clearing price	Period	Pool purchase price	Pool selling price	Pool clearing price
1/2 hour period ending 00:00	20.19	18.19	21.19	00:00	17.74	17.39	17.39
01:00	18.74	16.19	21.19	01:00	17.74	17.39	17.39
02:00	17.74	16.19	21.19	02:00	17.74	17.39	17.39
03:00	18.74	16.19	21.19	03:00	17.74	17.39	17.39
04:00	18.74	16.19	21.19	04:00	17.74	17.39	17.39
05:00	18.74	16.19	21.19	05:00	17.74	17.39	17.39
06:00	18.74	16.19	21.19	06:00	17.74	17.39	17.39
07:00	18.74	16.19	21.19	07:00	17.74	17.39	17.39
08:00	18.74	16.19	21.19	08:00	17.74	17.39	17.39
09:00	18.74	16.19	21.19	09:00	17.74	17.39	17.39
10:00	18.74	16.19	21.19	10:00	17.74	17.39	17.39
11:00	18.74	16.19	21.19	11:00	17.74	17.39	17.39
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19:00	18.74	16.19	21.19	19:00	17.74	17.39	17.39
20:00	18.74	16.19	21.19	20:00	17.74	17.39	17.39
21:00	18.74	16.19	21.19	21:00	17.74	17.39	17.39
22:00	18.74	16.19	21.19	22:00	17.74	17.39	17.39
23:00	18.74	16.19	21.19	23:00	17.74	17.39	17.39
24:00	18.74	16.19	21.19	24:00	17.74	17.39	17.39

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June 29, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank
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COMPANIES AND FINANCE

Generali detects signs of recovery from weak trends

By Haig Simonian
in Trieste

GENERALI, Italy's biggest insurance company, may be recovering from the deteriorating market trends which have depressed its domestic earnings in recent years.

Mr Eugenio Coppola di Canzano, chairman, said there were signs of "a certain improvement" in the market, based on figures for the first four months of this year. "I see 1992 as a bit better than the previous year, and I think 1993, for some sectors especially, should allow us to get back to break-even at the underwriting level."

Generali, like all Italy's insurers, has suffered from growing underwriting losses on its non-life business domestically, particularly in motor insurance. Last year, parent company losses amounted to L112.8bn on non-life activities, against underwriting earnings of L483.4bn on the life side.

The company said it expected a "slight improvement" in its domestic underwriting results this year. In spite of warning signs of some slowdown in generating new premiums, "we expect profits to rise in 1992", it forecast.

Group net earnings before minority interests rose to L672.2bn (\$578m) last year from L546.3bn in 1990. The parent company's share reached L683.9bn, up from L467.8bn in 1990. Group premium income,

adjusted for inter-group reinsurance business, rose by 17.1 per cent to L16,005bn. Some L6,343bn stemmed from life business and L8,762bn from non-life activities. The Italian market comprised 37.7 per cent of the total.

Mr Coppola di Canzano said the group was now aiming to plug gaps in its foreign network, notably in Latin America and eastern Europe, while consolidating existing activities in Europe. Generali's joint venture with Banco Central Hispanoamericano, should give it about 10 per cent of the Spanish insurance market, and would also be used to establish a bridgehead in Latin America.

He said liberalisation in a number of Latin American countries had created new opportunities, persuading Generali to reverse a decision taken almost three decades earlier to pull out.

In the US, he ruled out any direct investment in Equitable, the US insurer in which Axa-Midi of France has taken a stake. Generali has a substantial holding in Axa-Midi. However the company said any decision to participate in a possible Axa-Midi rights issue linked to the transformation of Equitable from its current status as a mutual insurer would be decided "at that moment".

Mr Coppola di Canzano said that by the end of April, 46 per cent of the warrants linked to last year's big rights issue by Generali had been exercised.

Finland's non-life insurers in shake-up

By Robert Taylor
in Stockholm

FINLAND'S insurance industry is being restructured through a new grouping under the direction of Union Bank, the country's largest commercial bank.

This follows agreement between five Finnish insurers to combine, in response to the integration of the European insurance market in the 19-nation European Economic Area beginning next year. The new grouping creates the largest non-life insurance concern in Finland and starts in 1994.

The Sampo insurance company and Industrial Mutual Insurance will merge to form a non-life insurance group with about 30 per cent of the Finnish market. Meanwhile, the direct insurance business will concentrate on three non-life insurance companies under Sampo as the parent company listed in Helsinki.

A further group will cover life insurance. Union Bank will set up a life company and establish a division of responsibilities through cross-share ownership with two other life companies: Kaleva and Nova.

Total share offer well oversubscribed

By Alice Rawsthorn in Paris

THE FRENCH government's FFfr8.5bn (\$1.8bn) sale of shares in the Total oil group, by far the biggest issue so far in France's partial privatisation programme, has been healthily oversubscribed.

The finance ministry announced it received 27m applications for the 8m shares on offer to French investors and 14.9m applications from foreign investors, almost twice as many as the number

of shares allocated to them.

Mr Michel Sapin, finance minister, described the sale as "a great success". He said the response from investors reflected "their positive views of Total's development".

When the issue is completed, the French government will have reduced its holding in Total - and that of state-controlled institutions - from 34 to 15 per cent. The state will directly hold 5 per cent of the group with the remaining pub-

lic sector stake divided among such institutions as the Assurances Générales de France insurance group and the Crédit Lyonnais bank.

The healthy response to the domestic issue means the state will exercise its clawback powers by adding an extra 750,000 shares, originally earmarked for international investors, to the tranche reserved for the French.

When the government first unveiled details of the Total sale it stressed it would only

proceed if market conditions were favourable. Last year it was forced to postpone its planned sale of shares in the Elf Aquitaine energy group because of the weakness of the Paris stock market.

Mr Sapin said the success of the Total issue justified his confidence in the market. The French government is now expected to proceed with the rest of its partial privatisation programme which will include the state-controlled insurance groups.

Alba applies to acquire Banco de Progreso

By Tom Burns in Madrid

CORPORACION Alba, the holding company controlled by Spain's wealthy March family, has applied to buy Banco de Progreso, the investment bank in which it has a 40 per cent stake.

Alba plans to merge Progreso with Banco Urquijo, the medium-sized domestic retail bank also controlled by the family.

Through indirect shareholdings, the March family owns about 70 per cent of Progreso. Alba will pay Ptas2,700 a share, at a 12.5 per cent premium, for outright control valuing the bank at Ptas20.1bn (\$207m). The Madrid stockmarket commission suspended trading in Progreso following the announcement of the bid.

The acquisition and the subsequent merger have been prompted by the breakdown of negotiations to sell Progreso to La Caixa, the Barcelona-based savings bank that ranks as Spain's biggest financial institution. La Caixa is understood to have objected to the concentration of Progreso's loans and to the Ptas18bn to Ptas20bn price placed on bank.

O&Y may face damages payment

By Alan Friedman
in New York

OLYMPIA & YORK could face a court-ordered damages payment of \$120m following a US court ruling that the troubled Canadian property group was in breach of a 1983 contract with a US pension fund.

If such damages were to be ordered, this could affect O&Y's efforts to avoid filing for protection from creditors under Chapter 11 of US bankruptcy law. But O&Y stressed last night it might appeal against the ruling and that a decision on damages was in any case some months away.

Judge Herman Cahn ruled on Friday in favour of the Teachers Insurance and Annu-

ity Association of America, a pension fund that in 1983 agreed to lend O&Y \$250m to refinance an office block it built as part of the World Financial Center in New York.

O&Y did not go ahead with the loan, deciding in 1984 to borrow instead from a bank group led by Manufacturers Hanover Trust.

Mr Michael Lesch, the lawyer representing the pension fund, said the ruling referred to "a classic case of a borrower walking out on a commitment and of a court holding the borrower accountable for its breach."

Judge Cahn has yet to decide on the actual damages, a process that could take several months. The pension fund is

seeking \$120m, but O&Y is believed to have set aside around \$23m for possible damages.

O&Y said last night it had not yet decided whether to appeal. It called the \$120m claim "grossly exaggerated".

In a separate development, O&Y severed its ties with two of its three main financial advisers - J.P. Morgan and Burns Fry, the Canadian investment bank. O&Y said this was because it had completed "the intensive planning, research and analysis phase on its long-term Canadian restructuring plan".

O&Y continues to employ James D. Wolfensohn, the New York firm.

Lalique takes 20% stake in porcelain maker

LALIQUE, the French manufacturer of fine crystal, is expanding its porcelain interests by taking a 20 per cent stake in Bernardaud, a Limoges porcelain maker, writes Alice Rawsthorn.

Bernardaud, like Lalique, is a family-controlled company. However, another 20 per cent of its equity is owned by Citivest, part of the Crédit Lyonnais banking group. The company's sales were FFfr200m (\$38m) last year.

Lalique already has a foothold in the porcelain field with its Coquet business. It has not disclosed the value of the Bernardaud deal.

French insurance industry braced for tough year

By Alice Rawsthorn

THE FRENCH insurance industry is poised for another difficult year in 1992 according to Union des Assurances de Paris (UAP) and Assurances Générales de France (AGF), the state-controlled companies which are two of France's largest insurance groups.

Mr Jean Peyrelevade, chairman of UAP, warned a shareholders' meeting in Paris that his group faced a tough time in some areas of business. He said its performance in the intensely competitive French non-life sector would be "at least as bad as last year".

His concern was echoed by Mr Michel Albert, chairman of AGF, who told shareholders the situation was particularly serious in the motor insurance market because of the steep increase in car theft. He also expressed concern about the

"extremely worrying" state of the commercial risks sector across Europe.

Both UAP and AGF, like almost all the other leading French insurers, came under intense pressure in 1991 because of competitive market conditions and exposure to the unstable Paris property sector. These difficulties come at a sensitive time given that UAP and AGF, together with GAN, the other leading state-controlled insurance company, are candidates for the French government's partial privatisation programme.

Mr Peyrelevade said UAP was ready to increase its capital, but that the share sale should wait until stock market conditions were more favourable and its share price was higher.

Both UAP and AGF are pressing ahead with plans to expand into Germany.

SocGen debt under review

By Alice Rawsthorn in Paris

SOCIÉTÉ Générale has become the latest big French bank to be put under surveillance by Moody's, the international credit rating agency, with a view to downgrading the ratings of its long-term deposits and debt.

The French banks have had a difficult time in the past year because of the slowdown in France's economy and their exposure to bad loans. The rating of Paribas, the prestigious investment bank, was recently downgraded by Standard & Poor's, although it emerged

unscathed from a review by Moody's.

Société Générale, which currently has an Aaa rating, recently reported a return to profits growth when its net profits rose from FFfr2.63bn in 1990 to FFfr3.37bn (\$630m) in 1991, although it has not yet returned to its 1989 level.

Moody's said it had put Société Générale under surveillance because of the fall in its net margins and the high level of its loan loss provisions.

● Instituto Bancario San Paolo di Torino had its senior debt downgraded from Aa1 to Aa3 by Moody's.

THE WORLD CLASS BUSINESS THAT MAKES SOUTH AFRICA TICK

Points from the Annual Statement by the Chairman of Anglo American Corporation, Mr Julian Ogilvie Thompson.

■ In a year of world recession AAC maintained its equity accounted earnings at R2 607 million and increased its attributable earnings by 20 per cent to R1 680 million. Set against the continuing weakness of international commodity prices and one of the longest recessions South Africa has ever experienced, this achievement is a testament to the Corporation's strength and diversity of interests.

■ AAC, which celebrates its 75th anniversary this year, has grown from the first South African mining finance house into a diversified resources group of world class. Its aims, however, remain those defined by its founder, Sir Ernest Oppenheimer: to earn profits in such a way as to make a real and permanent contribution to the well being of the people and to the development of South Africa and the region. We have a part to play in creating and sustaining a prosperous, peaceful and democratic new South Africa.

■ The central political logic of South Africa remains negotiation. Businessmen familiar with the pattern of industry negotiations recognise the great progress that has already been achieved in the political arena and the underlying momentum to carry on the process.

■ Big companies have a contribution to make to South Africa's future that is beyond the reach of others. It is through big companies that a country promotes exports, earns foreign exchange and participates in the complex and forever changing network of human, financial and technological resources that characterise the global economy. AAC and its associates have built up from grass roots companies that today account for 18 per cent of the capitalisation of the Johannesburg Stock Exchange. AAC sees itself as a creative, developmental organisation, giving considerable autonomy to its operating divisions and companies in the pursuit of the focused diversity that gives strength and stability to the whole.

■ Mining initiated South Africa's industrialisation and, as successful mining groups were the first to accumulate skills and financial resources, they became the vehicle for investment in other industries. Even in these adverse times the Anglo American and De Beers Groups and associated companies are committed to capital expenditure of more than R15 billion on new and existing projects in South Africa - a sure expression of our faith in South Africa's future. Most of this will be spent on new shafts and sub-shafts on the gold mines, new capacity for the collieries, a major new diamond mine at Venetia and new or upgraded facilities in the steel, aluminium, paper and motor industries.

Projects include the multi-billion Rand Columbus stainless steel joint venture, with the Gencor Group, which will become one of the largest in the world and the Moab deep level gold mine, which will cost R1.7 billion and is expected to produce 13 tonnes of gold a year, starting in 1997.

■ The Corporation and its associates also invest significantly abroad in order to be world class competitors with entree into new markets and technologies. A recent example was the acquisition of joint control of Frantschach AG, a leading European pulp and paper group. Made at no cost to South Africa's foreign exchange reserves, these investments contribute substantially to South Africa's foreign currency earnings, last year exceeding \$340 million in the case of the Anglo American and De Beers Groups and their shareholders.

■ The road to success requires an open economy with two-way trade, two-way investment and big, competitive and successful companies. There are no examples of winning countries which have distanced themselves and their leading companies from involvement in the global economy.

South Africa's big companies are the mechanism that makes its economy tick. Interfere with the mechanism and the economy will run down.



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at a price of 100p per share

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Share Capital

Authorized	Issued and to be issued fully paid
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29 June 1992

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

HSBC's deal may herald similar funding of bids

THE SMOOTH completion of Hongkong and Shanghai Banking Corporation's crucial bond financing of its \$3.6bn takeover of Midland Bank could herald further bond market funding of bids.

Two working days after Hongkong Bank won acceptance for its takeover offer, the first round of the underwriting of HSBC Holdings' \$448m 10-year subordinated Euro-bond has been completed, and investors are queuing up to buy further bonds issued, as shareholders' acceptance continue to drift in, until July 10.

Companies typically raise funds to finance takeovers through bilateral or syndicated bank borrowing, or by issuing shares. Often, bank loans are subsequently refinanced in the bond market, but bond offerings are rarely an integral part of a takeover bid.

However, the diminishing availability of bank financing and a less bullish stock market could encourage more companies to consider tapping the bond market. From Hongkong Bank's point of view, the subordinated Eurobonds provide useful capital and avoid excessive dilution of shareholders' funds.

In retrospect, it was the offer of more generous terms on the bonds - and a cash alternative - when Hongkong Bank increased its bid on June 2, which helped secure the

deal by edging out rival Lloyds Bank.

Initially, the bonds were to be priced to yield 160 basis points above the 10-year gilt yield, a spread which was widely considered inadequate given the credit quality of the offering: deeply subordinated debt issued by a bank holding company.

Research circulated by UBS Phillips & Drew concluded that the bank "has significantly over-valued its proposed issue of subordinated bonds," and suggested a valuation of around 210 basis points.

Under the increased bid, Hongkong Bank offered par bonds at a spread of 240 basis points above the

comparable gilt yield, and a cash alternative for investors who did not want to take the bonds. For each 100 shares in Midland, shareholders were offered 120 shares in the new Hongkong Bank holding company after the merger and either \$55 of bonds or \$55 in cash.

Although existing shareholders who do not wish to take up the bonds can take the cash alternative, many may have taken the view that the bonds offer better value. Since the spread has already tightened, shareholders who took the bonds are set to make a tidy profit.

The offering is the first of its kind in the Eurobond market. Because

Eurobonds are internationally-traded bearer instruments, the structure has facilitated distribution to a much wider range of investors than would have been possible with a domestic sterling bond.

For example, a substantial portion of paper is expected to end up in the US. The existence of broad overseas demand has helped buoy confidence in the UK, where the structure of the deal could have severely limited distribution.

For lead manager Credit Suisse First Boston the underwriting risk was substantial. When CSFB agreed to underwrite the offer on June 2, the underwriting period could have

lasted for 10 weeks, with no protection under force majeure or material "adverse change" clauses.

To compensate for the high level of the underwriting risk, CSFB was paid fees of 1 percentage point. In addition, the generous 240 basis point spread was designed to provide a certain cushion for potential adverse market movements.

CSFB and other members of the syndicate began taking orders late Tuesday, and book-building continued on Wednesday and Thursday. On Thursday night, the number of investors opting for a cash alternative created a tranche of bonds for sale on Friday totalling \$10m.

This represented around half the total amount of acceptances. The bonds were sold at a fixed price of 101.20, indicating a spread of 220 basis points, but by the end of trading on Friday the bonds were bid at 102.45 for a spread of 204 basis points. A further \$15m tranche of bonds is to be sold today.

According to Mr Hugh Corbett, a UBS analyst, the spread was "quite a bit wider than necessary to get the issue away", an opinion borne out by the substantial tightening of the spread. Officials at CSFB expect that "the spread will settle at around 200 basis points. If the bank performs, there is room for further tightening".

Tracy Corrigan

SYNDICATED LOANS

Pemex launches further one-year \$100m issue

PETROLEOS Mexicanos (Pemex), the Mexican state-owned oil company, is launching a \$100m loan facility and hopes to raise a total of up to \$400m in the syndicated loans market in the immediate future, writes Sara Webb.

Mexican borrowers have been absent from the syndicated loans market for several years. However, Pemex launched a one-year \$100m syndicated loan through Chase Manhattan earlier this year and is now launching its second one-year \$100m deal through ANZ.

The deal is a syndicated revolving

credit which may be funded either in the interbank market or by using the sterling Bankers' Acceptance market and then swapping the proceeds into dollars, whichever proves cheapest.

The maximum margin is 87.5 basis points over the London interbank offered rate (Libor), with a commitment fee of 12.5 basis points and management fees of 12.5 basis points for commitments of \$10m, 10 basis points for \$5m and above, and 5 basis points for \$2m and above.

Pemex plans to use the \$100m facility to finance the import and

export of oil and oil products.

The Mexican oil group, which has borrowed occasionally in the international bond markets, is expected to raise a total of up to \$400m in the syndicated loans market and may try to raise medium-term funds next by tapping the three-five year area of the market.

Pemex is Mexico's largest company, with sales of \$18.6bn last year. The government plans to divide the group into four semi-autonomous divisions in an attempt to improve productivity.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Council of Europe(d)(f)	80	1994	2.5	(d)	100	Lehman Bros. Int.	-
Kia Steel(e)(f)	25	2007	15.5	3.5	100	Schroder Secs.	3.489
Helix R.S.I.	300	1995	3	5.75	100.915	UBS Phil & Drew	5.411
AS Spinn(e)(f)	100	1997	5	7.5	100.915	JP Morgan Secs.	7.272
Atlantic Mort Corp 92-1st	100	1997	5	(h)	100	Goldman Sachs Int.	-
Atlantic Mort Corp 92-1st	25	1997	5	(i)	100	Goldman Sachs Int.	-
STERLING							
North of England B.S.(f)	20	(f)	-	12.625	100.135	Charterhouse Bk.	-
Redcastle(e)(f)	100	1997	5	zero	60.98	Warburg Secs.	10.398
CANADIAN DOLLARS							
GECC(f)(f)	150	1997	5	8	101.575	Kidder Peabody Int.	7.510
Deutsche Fin.Neth.(f)	200	1996	5.5	7.75	101.025	Deut.Bk.Cap.Mkts	7.489
Mobil Oil Canada(f)	150	1998	5.5	8.125	101.055	CSFB	7.854
YEN							
Mori Seldi Co(f)	150n	1998	4.25	5.55	101.1	Yamaichi Int.	5.242
Kawasaki Heavy Ind(f)	150n	1999	7.25	8.15	101.1	Nomura Int.	5.533
Kawasaki Heavy Ind(f)	150n	1997	5.25	8	101.825	Yamaichi Int.(Eur.)	5.583
Nikon Corp(f)	150n	1996	4.25	8	100.325	Nikko Europe	5.592
Nikon Corp(f)	100n	1997	5.25	8.05	100.25	Yamaichi Int.(Eur.)	5.583
Nikon Corp(f)	100n	1998	7.25	8.20	100.38	Nikko Europe	5.127
ECU's							
EIB(f)	350	2002	10	9	99.17	Paribas Cap.Mkts.	9.130
Morgan Stanley(f)(f)	100	1995	5	(j)	100	Morgan Stanley Int.	-

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
FRENCH FRANCS							
Compagnie Bancaire(b)	1.5bn	1994	1.698	15	100.73	Paribas Cap.Mkts.	-
European Inv.Bk.(f)	2bn	1997	5	8.875	99.59	CCF	8.980
GUILDERS							
NMB Postbank	400	2002	10	8.625	100.85	NMB Postbank Grp.	8.495
D-MARKS							
Tasulade Tokant(f)	10	1997	5	8	101.125	HSJ	8.713
SWISS FRANCS							
Isasaki Elec.Co(f)(f)(f)	30	1997	-	(a)	101.1	Del-ichi Kangyo Bk	-
City of Gothenburg(f)(f)	50	1984	2	8.5	101	Credit Suisse	7.940
NEW ZEALAND DOLLARS							
R & I Bk of W.Australia(f)	50	1999	7	8.5	101.25	Hambros Bk	8.258
AUSTRALIAN DOLLARS							
SL Elec.Comm. of Vic.(f)	100	1999	7	9.25	101.65	Hambros Bank	8.923
LUXEMBOURG FRANCS							
Commerzbank Int(f)	1.5bn	2002	10	8.125	102.30	BGL	8.770

Anthony Harris

A bulletin from Gordon Pepper



THE red Queen commanded Alice to believe 13 impossible things before breakfast every morning. The financial markets are less ambitious: they cling to only one impossible thing, but they cling to it with a passion.

The efficient markets hypothesis is often demonstrably untrue; but it is taken as the basis for rules which have put hitherto respectable men in prison. Some hypotheses.

It states simply that market prices reflect all the information available at any given moment - a tautology; but it goes on to draw some very strong conclusions, which as any logician will tell you is a very dangerous thing to do with a tautology.

The hypothesis implies that markets can only be efficient, and thus price assets correctly. If all information is instantly available to all traders at all times. This has led to fierce regulations, demanding what can be summed up in a word, transparency.

Hence the laws against insider trading, and the argument over disclosure of trading information which is holding up the European directive on investment service, and which so long delayed the merger of the London futures markets. Hence the Blue Arrow affair; and hence, too, the flight of investment professionals to over-the-counter markets; and much else. It's all so logical that it's a wonder how we ever got on without it.

Yet we did get on without it, as Professor Gordon Pepper points out in a fascinating and refreshingly lucid paper for the Capital Markets Forum. He reminds us that the after-market in new issues was blantly managed by the issuing houses in pre-Big Bang days, and were applauded for their efforts.

They were thought to be preserving orderly markets. The government still does something rather similar with privatisation issues, and nobody raises an eyebrow. The same eyebrows, however, shoot up when the government changes the regulations under

which privatised utilities work. Muse about that contrast for a moment, and you may arrive for yourself at the central insight of Prof Pepper's paper: that there are two quite different classes of information in the market. One information set covers the operations of companies, and the economic forces acting on them. A quite different set concerns trading positions in the market itself.

Prof Pepper broadly accepts that the first class should be displayed transparently - though as company chairmen agonising over the timing of a profits warning know very well, it can be awfully difficult to distinguish a fact from a queuey feeling.

It is during this uneasy time, as he points out to my delight, that insider traders can actually perform very useful functions, by feeding their well-informed hopes and fears into the price.

When it comes to trading information, however, Prof Pepper takes the opposite view: he argues that the knowledge, say, of a large forced seller in the market actually unsettles trading, reduces liquidity, and can push prices a long way from what would be justified on the fundamentals.

This is surely a matter of everyday market experience. It helps to explain the choppy price movements in Tokyo, where an instinct that bargains are now available fights rumours that this or that strapped bank will have to sell, regardless.

Prof Pepper's analysis also helps to explain the central difficulty with the efficient market hypothesis: the fact, accepted by every investment house which buys chart analysis, that prices do not simply respond to information shocks about the fundamentals, but display clear trends, resistance points and the rest. This is the work of trading information, not fundamentals.

It is a pity that Prof Pepper does not go on to suggest rules to fit his analysis, but merely warns that regulations based on efficient market theory can be badly flawed. But regulators should study his paper, and hope for more in his forthcoming book. *Obtainable from Capital Markets Forum, 2 Harewood Place, Hanover Square, London W1R 9HB.

Scudder, Stevens & Clark, Inc.

We are pleased to announce the appointment of

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As The London-Based Head Of Marketing And Client Service For Scudder's Institutional Investment Management In The United Kingdom, Europe And The Middle East.

GLOBAL INVESTMENT MANAGEMENT

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£200,000,000

Mortgage Backed Floating Rate Notes 2018

Notice of Partial Redemption

S.G. Warburg & Co. Ltd. announce that Notes for the nominal amount of £2,900,000 have been drawn for redemption on 30th July, 1992, in accordance with Clause 5(b) of the Terms and Conditions of the Notes.

The distinctive numbers of the Notes drawn, are as follows:-
597 639 682 725 767 809 852 894 937 980 1022
1064 1107 1149 1192 1235 1277 1320 1364 1407 1449 1492
1534 1576 1619 1661 1703 1746 1788

On 30th July, 1992 there will become due and payable upon presentation of each Note drawn for redemption, the principal amount thereof, together with accrued interest to said date, at the office of:-

S.G. Warburg & Co. Ltd.

2 Finsbury Avenue, London EC2M 2PA

or one of the other paying agents named on the Notes.

Interest will cease to accrue on the Notes called for redemption on and after 30th July, 1992 and Notes so presented for payment should have attached all Coupons maturing after that date.

£119,900,000 nominal amount of Notes will remain outstanding after 30th July, 1992.

29th June, 1992

Bank of Tokyo (Curaçao) Holding N.V.

U.S.\$800,000,000

Subordinated Guaranteed Floating Rate Notes Due 2000

Guaranteed on a subordinated basis as to payment of Principal and Interest by

The Bank of Tokyo, Ltd.

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 29th June, 1992, to 29th September, 1992, has been fixed at 4.1875 per cent per annum. Coupon No.8 will therefore be payable on 29th September, 1992 at US\$ 5,350.69 per coupon from Notes of US\$500,000 nominal and US\$ 535.07 per coupon from Notes of US\$50,000 nominal.

The Bank of Tokyo, Ltd.

London

Agent Bank

29th June, 1992

This announcement appears as a matter of record only

New Issue

June, 1992



CREDITANSTALT

Creditanstalt-Bankverein

(Incorporated in the Republic of Austria with limited liability)

Issue of up to
U.S.\$100,000,000

6 3/4 per cent. Notes Due 1996

of which U.S. dollars 50,000,000 has been issued
as the Initial Tranche

Creditanstalt-Bankverein

Bank Brussel Lambert N.V.

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UBS Phillips & Drew Securities Limited

Bayerische Landesbank Girozentrale

Deutsche Bank Capital Markets Limited

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Nomura International

Swiss Bank Corporation

S.G. Warburg Securities

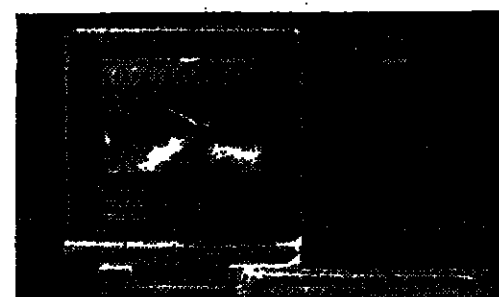
The new German way to fly: more enjoyment to shorten your long journey. Lufthansa.



Gabi Scheeler, 39



There's good news for all Lufthansa intercontinental First and Business Class passen-



gers. Firstly, our Business Class cuisine has joined First Class as a member of the renowned Chaîne des Rôtisseurs gourmet club. Secondly, on all our B747's, we've moved the First Class

cabin to the "splendid isolation" of the roomy upper deck, so that our Business Class passengers can now also enjoy more space and a more personal service than ever before. Naturally with wider and more comfortable seats, integral footrests and tilt-tables. And, from this autumn, with your own personal in-seat video screen. So fly Lufthansa intercontinental and discover what we mean by: "simply that little bit more".



Lufthansa

20

Free	180
Free	250

	Price Fr.
Free	14
Amkita B Free	175
Free	115
Free	115
Amkita B Free	376
Free	97
Amkita B	30.50
Kopp B	290
Free	95
Amkita B Free	111
B Free	390

	Price Fr.
26	
(P)ug Cst	66.50
Intl (Br)	370
Free-Luc Br	225
Free-Luc Br	480
(P)ug Cst	1,875
Free-Luc Br	4,160
Bowen Jug	820
Georg (Br)	1,735
Georg (Br)	3,290
Free (Reg)	500
Free (Reg)	3,218
Free (Br)	2,270
Free (Br)	2,510
Free (Br)	1,505
Free (Br)	1,195
Free (Br)	238
Free (Br)	2,160
Free (Br)	5,370
Free (Br)	4,850
Free (Br)	280
Free (Br)	89

... (Reg)	910
Held (Br)	308
Held (Pig Cst)	302
John Pig Cst	600ml
... (Reg)	285
... -Coland (Br)	970
... (Br)	9740
... (Reg)	9740
... (Br)	383
... Wild (Br)	1.240
... (Br)	345
... (Br)	14.20
... (Br)	4.900
... (Gemuss)	3.300
... (H Reg)	1.250
... (Pig Cst)	3.000
... (Reg)	2.950
... (Pig Cst)	3.010
... (Br)	3.750
... (Pig Cst)	7050
... (Reg)	7150
... (Br)	7.200
... (Br)	673
... (Br)	251
... (Br)	235
... (Br)	234
... (Br)	2.420
... (Br)	478

3.860	3.030
717	553
2.245	1.830

	Price Range
SA	9 75
CI	8.50
Med Tech	125
glo Am Coal	112
glo Am Corp	120
glo Am Gold	210
glovaal N	79
glova Rand	53.5
glova	23.5
A Gallo	26

Peen Century	88.5
Belknap Gold	5.40
Belmont	42
Belmont Gold	4.75
Belmont Gold	17
Belmont	40
Belmont	64.5
State Com Gold	33
Belmont	12
Belmont	71.2
Belmont	13.5
Belmont Steel	13.2
COR	1.35
Belmont Gold	32.2
Belmont Gold	27.1
Belmont	2.10
Belmont Life SA	45
Belmont	35
Belmont	35

Decor	17
K Bazaars	8
Malabar Mng ..	79
Premier Gp	42
Strand Gp	26
Strand Gp	18
West Plat	85
Wine & Food ..	96
Wine Hlds	11
Wine (CG) Ltd ..	12
Wine Brews	57
Wine Mfg	36
Wine Procs	47

	June 26	Price Amount
Metals Manuf.	2.3	
Alumina	0.1	
at Aust Bank	7.6	
Aluminum Mining ...	0.7	
Aluminum Corp.	20	
Aluminum Posidon ...	1.0	

North Oil Peko ...	2.2
Pacific Dunlop ...	5.1
Parcontinental ...	0.8
Plasma Inco ...	1.5
Pioneer Intl ...	3.1
Placer Pacific ...	2.8
PCT Resources ...	1.1
Peterson Gold ...	5.4
Pouhmann Aust ...	7.4

A Brewing	2
Santos	2
Smith (Hwd)	5
Sons of Gwalla	4
Stockland Tst	2
TNT	1
Telecom Corp NZ	1
Tyco Ins	0
Westfarmers	5

Western Mining ..	3.
Westfield Hdg ..	4.
Westfield Trust ..	2.
Westpac	3.
Woodside Pet ...	3.

June 26	H
Amoy Props	6
Bank East Asia ...	3
Cathay Pacific ..	1
Cheung Kong	2
China Light	3
China Motor ...	3
Cross Harbour ..	1
Drum Evam Intl	

Guarantee Finance (HKS) ..	3
Evergo	3
Guoco	3
HSBC	4
Hong Lung Dev ...	1
Hong Seng Bank ...	5
Harbour Centre ..	7
Henderson Inv ...	4
Henderson Land ..	1
HK & China Gas ...	1

OK & Senghae Hotel	6
HK Aircraft	2
HK Electric	1
HK Land	1
HK Realty & Tr A	1
HK Telecom	6
Hopewell Hldgs	5
Hutchison Wpa	1
Hysan Dev	1

Jardine Int'l Mtr ...
Jardine Math ...
Jardine Strategic ...
Kowloon Motor ...
Mandarin Orient ...
New World Dev ...
Realty Dev A ...
SHK Props ...
Shaw Bros ...
Shell Elex Mfrs ...

Sime Darby
 Sun Hong Kai Co
 Swire Pacific A
 Swire Pacific B
 Tele Broadcast
 Wharf Holdings ..
 Wing On Co
 Winsor Ind
 World Intl

June 26
Boustead
Hong Leong Credit
Malayan Banking
Ministry of Finance

Multi Purpose ..
Public Bank

40	Cold Storage
2	DBS
5	Fraser & Neave
7	Genting
12	Haw Par
13	Inkecape
40	Kencor Corp
2	OCBC
40	QUB
	S'port Air Free

supplied by Tele

Mostly last traded price.
Dealings suspended.
Ex scrip 1500.
Ex all.

10

10

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	Paulo Chile Ltda	(2)	632-3037	632

ago Dujar Chile Ltda.



FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

EUROPE'S BUSINESS WEEK

Figure 1 is a line graph showing the percentage of respondents who believe that the use of force is justified in various circumstances. The x-axis represents the percentage of respondents who believe that the use of force is justified in the circumstances. The y-axis represents the percentage of respondents who believe that the use of force is justified in the circumstances. The graph shows a positive correlation between the two variables.

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... ..

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute, cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128.

[illegible][illegible]

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[illegible]

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at separate cheap rate and 45p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-825-2121.

Continued on next page

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Unit	Rate	Price	Time	Amount
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120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630
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5300	5301	5302	5303	5304	5305	5306	5307	5308	5309	5310	5311	5312	5313	5314	5315	5316	5317	5318	5319	5320	5321	5322	5323	5324	5325	5326	5327	5328	5329	5330	5331	5332	5333	5334	5335	5336	5337	5338	5339	5340	5341	5342	5343	5344	5345	5346	5347	5348	5349	5350	5351	5352	5353	5354	5355	5356	5357	5358	5359	5360	5361	5362	5363	5364	5365	5366	5367	5368	5369	5370	5371	5372	5373	5374	5375	5376	5377	5378	5379	5380	5381	5382	5383	5384	5385	5386	5387	5388	5389	5390	5391	5392	5393	5394	5395	5396	5397	5398	5399	5400	5401	5402	5403	5404	5405	5406	5407	5408	5409	5410	5411	5412	5413	5414	5415	5416	5417	5418	5419	5420	5421	5422	5423	5424	5425	5426	5427	5428	5429	5430	5431	5432	5433	5434	5435	5436	5437	5438	5439	5440	5441	5442	5443	5444	5445	5446	5447	5448	5449	5450	5451	5452	5453	5454	5455	5456	5457	5458	5459	5460	5461	5462	5463	5464	5465	5466	5467	5468	5469	5470	5471	5472	5473	5474	5475	5476	5477	5478	5479	5480	5481	5482	5483	5484	5485	5486	5487	5488	5489	5490	5491	5492	5493	5494	5495	5496	5497	5498	5499	5500	5501	5502	5503	5504	5505	5506	5507	5508	5509	5510	5511	5512	5513	5514	5515	5516	5517	5518	5519	5520	5521	5522	5523	5524	5525	5526	5527	5528	5529	5530	5531	5532	5533	5534	5535	5536	5537	5538	5539	5540	5541	5542	5543	5544	5545	5546	5547	5548	5549	5550	5551	5552	5553	5554	5555	5556	5557	5558	5559	5560	5561	5562	5563	5564	5565	5566	5567	5568	5569	5570	5571	5572	5573	5574	5575	5576	5577	5578	5579	5580	5581	5582	5583	5584	5585	5586	5587	5588	5589	5590	5591	5592	5593	5594	5595	5596	5597	5598	5599	5600	5601	5602	5603	5604	5605	5606	5607	5608	5609	5610	5611	5612	5613	5614	5615	5616	5617	5618	5619	5620	5621	5622	5623	5624	5625	5626	5627	5628	5629	5630	5631	5632	5633	5634	5635	5636	5637	5638	5639	5640	5641	5642	5643	5644	5645	5646	5647	5648	5649	5650	5651	5652	5653	5654	5655	5656	5657	5658	5659	5660	5661	5662	5663	5664	5665	5666	5667	5668	5669	5670	5671	5672	5673	5674	5675	5676	5677	5678	5679	5680	5681	5682	5683	5684	5685	5686	5687	5688	5689	5690	5691	5692	5693	5694	5695	5696	5697	5698	5699	5700	5701	5702	5703	5704	5705	5706	5707	5708	5709	5710	5711	5712	5713	5714	5715	5716	5717	5718	5719	5720	5721	5722	5723	5724	5725	5726	5727	5728	5729	5730	5731	5732	5733	5734	5735	5736	5737	5738	5739	5740	5741	5742	5743	5744	5745	5746	5747	5748	5749	5750	5751	5752	5753
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Tricky week for \$

THE battering of the dollar is likely to continue this week with a host of economic indicators due and the foreign exchanges braced for a possible cut in interest rates.

The US currency has been struggling against a background of a faltering economic recovery, falling interest rates, political uncertainty and high German interest rates. Poor Fed to ease, but politics is a different matter," he said.

All eyes this week will be turned to the June employment report released on Thursday. A payroll gain of less than 100,000 would increase pressure on the Fed to cut rates again. Economists forecast is for a gain of around this level.

The yen has remained firm so far, in spite of the weakness of the Nikkei index. In fact, the value of the Japanese currency has risen against the dollar ahead of the G7 summit in Munich.

However, Mr Neil Kinnock, chief economist at Yamaichi, the Japanese Bank, believes that if the Japanese stockmarket remains weak then the yen could suffer a setback.

"It is not too difficult to envisage such a situation," he said.

"Yen appreciation in the run up to the G7 meetings in January and April met with a sell-off given the absence of anything concrete in the communiqué."

economic indicators last week, including more durable goods figures than expected, a big jump in weekly jobless claims and slow M2 growth, added to the currency's woes.

According to Mr Michael Feeny at Sunamto Bank in London, there is a lot of potential demand for dollars but the interest rate differential with Germany is still great enough to discourage holding the US currency.

"There still seems insufficient economic justification for the

UK clearing bank base lending rate 10 per cent from May 5, 1992

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£ IN NEW YORK

£/US\$	1992	1991	1990
1 month	1.67-1.68	1.67-1.68	1.67-1.68
3 months	1.67-1.68	1.67-1.68	1.67-1.68
6 months	1.67-1.68	1.67-1.68	1.67-1.68
12 months	1.67-1.68	1.67-1.68	1.67-1.68

Forward premiums and discounts apply to the US dollar

STERLING INDEX

Index	1992	1991	1990
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00

Forward premiums and discounts apply to the US dollar

OTHER CURRENCIES

Currency	1992	1991	1990
Argentine	1.0000	1.0000	1.0000
Australian	1.0000	1.0000	1.0000
Belgian	1.0000	1.0000	1.0000
Canadian	1.0000	1.0000	1.0000
Danish	1.0000	1.0000	1.0000
Deutsche	1.0000	1.0000	1.0000
French	1.0000	1.0000	1.0000
Italian	1.0000	1.0000	1.0000
Japanese	1.0000	1.0000	1.0000
Norwegian	1.0000	1.0000	1.0000
Portuguese	1.0000	1.0000	1.0000
Spanish	1.0000	1.0000	1.0000
Swedish	1.0000	1.0000	1.0000
Swiss	1.0000	1.0000	1.0000
Thai	1.0000	1.0000	1.0000
US Dollar	1.0000	1.0000	1.0000
Yen	1.0000	1.0000	1.0000

*Floating rate, 100:1000, 100:1000, 100:1000

CHICAGO

Commodity	1992	1991	1990
Crude Oil	1.0000	1.0000	1.0000
Gold	1.0000	1.0000	1.0000
Silver	1.0000	1.0000	1.0000
Copper	1.0000	1.0000	1.0000
Aluminum	1.0000	1.0000	1.0000
Natural Gas	1.0000	1.0000	1.0000
Heating Oil	1.0000	1.0000	1.0000
Gasoline	1.0000	1.0000	1.0000
Wheat	1.0000	1.0000	1.0000
Corn	1.0000	1.0000	1.0000
Soybeans	1.0000	1.0000	1.0000
Wheat	1.0000	1.0000	1.0000
Corn	1.0000	1.0000	1.0000
Soybeans	1.0000	1.0000	1.0000

U.S. TREASURY BILLS (100:1000)

Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

U.S. TREASURY BILLS (100:1000)

Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

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Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
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Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
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Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

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Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

U.S. TREASURY BILLS (100:1000)

Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

U.S. TREASURY BILLS (100:1000)

Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

U.S. TREASURY BILLS (100:1000)

Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

U.S. TREASURY BILLS (100:1000)

Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

U.S. TREASURY BILLS (100:1000)

Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

U.S. TREASURY BILLS (100:1000)

U.S. TREASURY BILLS (100:1000)

POUND SPOT - FORWARD AGAINST THE POUND

Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Term	1992	1991	1990
1 month	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000

EXCHANGE CROSS RATES

June 26	£	\$	DM	Yen	F.Fr.	S.Fr.	N.Fl.	Lira	CS	S.Fr.	Plaz.	Esc.
Y	1.0000	1.2922	2.913	237.8	9.76	2.63	1.729	113.3	17.30	11.66	8.98	166
DM	0.3439	0.549	1.000	83.3	3.36	0.91	0.603	39.3	6.19	4.00	3.12	61
Y	0.549	0.859	1.292	100.0	4.00	1.00	0.656	46.3	7.19	4.56	3.56	72
FF	0.1063	0.135	0.166	1.19	1.00	0.26	0.171	10.9	1.66	1.06	0.82	16
S.Fr.	0.375	0.483	0.583	3.12	0.26	1.00	0.656	41.3	6.39	4.00	3.12	62
N.Fl.	0.1512	0.193	0.235	1.22	0.17	0.171	1.00	6.4	1.00	0.65	0.50	10
Lira	0.0554	0.071	0.086	0.22	0.01	0.01	0.01	1.00	0.16	0.10	0.08	2
CS	0.0654	0.083	0.100	0.26	0.01	0.01	0.01	0.16	1.00	0.62	0.48	10
S.Fr.	0.1063	0.135	0.166	1.19	1.00	0.26	0.171	10.9	1.66	1.06	0.82	16
Plaz.	0.1166	0.150	0.182	1.29	0.30	0.30	0.19	12.3	1.93	1.21	0.94	19
Esc.	0.0082	0.010	0.012	0.08	0.00	0.00	0.00	0.02	0.31	0.20	0.16	3
Y	0.859	1.000	2.283	166.7	3.75	1.00	0.656	41.3	6.39	4.00	3.12	62
DM	0.549	0.859	1.292	100.0	4.00	1.00	0.656	46.3	7.19	4.56	3.56	72
FF	0.135	0.171	0.208	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
S.Fr.	0.483	0.619	0.750	3.12	0.09	0.09	0.09	12.3	1.93	1.21	0.94	19
N.Fl.	0.193	0.244	0.296	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
Lira	0.071	0.090	0.109	0.22	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
CS	0.083	0.106	0.129	0.26	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
S.Fr.	0.619	0.786	0.952	3.12	0.36	0.36	0.23	13.3	2.19	1.40	1.06	21
Plaz.	0.719	0.919	1.119	3.56	0.91	0.91	0.58	15.3	2.39	1.60	1.26	25
Esc.	0.010	0.013	0.015	0.10	0.00	0.00	0.00	0.03	0.41	0.26	0.20	4
Y	1.292	1.585	3.543	277.8	9.76	2.63	1.729	113.3	17.30	11.66	8.98	166
DM	0.859	1.061	2.383	166.7	3.75	1.00	0.656	41.3	6.39	4.00	3.12	62
FF	0.171	0.219	0.261	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
S.Fr.	0.619	0.786	0.952	3.12	0.36	0.36	0.23	13.3	2.19	1.40	1.06	21
N.Fl.	0.244	0.306	0.368	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
Lira	0.090	0.113	0.136	0.22	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
CS	0.106	0.135	0.166	0.26	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
S.Fr.	0.786	0.999	1.199	3.12	0.91	0.91	0.58	15.3	2.39	1.60	1.26	25
Plaz.	0.919	1.166	1.413	3.56	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Esc.	0.013	0.017	0.020	0.10	0.00	0.00	0.00	0.03	0.41	0.26	0.20	4
Y	1.585	1.938	4.343	333.3	11.66	3.12	2.19	133.3	21.30	13.66	10.98	216
DM	1.061	1.292	2.913	237.8	4.00	1.00	0.656	46.3	7.19	4.56	3.56	72
FF	0.219	0.278	0.337	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
S.Fr.	0.999	1.266	1.533	3.12	0.91	0.91	0.58	15.3	2.39	1.60	1.26	25
N.Fl.	0.306	0.384	0.462	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
Lira	0.113	0.141	0.169	0.22	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
CS	0.135	0.166	0.197	0.26	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
S.Fr.	1.266	1.585	1.904	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Plaz.	1.413	1.778	2.143	3.56	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Esc.	0.017	0.021	0.025	0.10	0.00	0.00	0.00	0.03	0.41	0.26	0.20	4
Y	1.938	2.383	5.293	407.4	13.66	3.56	2.39	153.3	23.30	14.66	11.98	246
DM	1.292	1.585	3.543	277.8	9.76	2.63	1.729	113.3	17.30	11.66	8.98	166
FF	0.278	0.350	0.422	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
S.Fr.	1.533	1.938	2.343	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
N.Fl.	0.384	0.483	0.583	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
Lira	0.141	0.173	0.205	0.22	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
CS	0.166	0.201	0.236	0.26	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
S.Fr.	1.938	2.383	2.828	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Plaz.	2.143	2.643	3.143	3.56	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Esc.	0.021	0.026	0.030	0.10	0.00	0.00	0.00	0.03	0.41	0.26	0.20	4
Y	2.383	2.913	6.543	518.6	15.66	3.75	2.63	173.3	25.30	15.66	12.98	276
DM	1.585	1.938	4.343	333.3	11.66	3.12	2.19	133.3	21.30	13.66	10.98	216
FF	0.350	0.441	0.532	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
S.Fr.	2.343	2.913	3.478	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
N.Fl.	0.483	0.604	0.725	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
Lira	0.173	0.213	0.253	0.22	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
CS	0.201	0.244	0.287	0.26	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
S.Fr.	2.913	3.543	4.178	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Plaz.	3.143	3.843	4.543	3.56	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Esc.	0.026	0.032	0.037	0.10	0.00	0.00	0.00	0.03	0.41	0.26	0.20	4
Y	2.913	3.543	7.973	633.3	17.66	3.75	2.63	193.3	27.30	17.66	14.98	316
DM	1.938	2.383	5.293	407.4	13.66	3.56	2.39	153.3	23.30	14.66	11.98	246
FF	0.441	0.561	0.682	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
S.Fr.	3.478	4.263	5.048	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
N.Fl.	0.604	0.755	0.906	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
Lira	0.213	0.263	0.313	0.22	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
CS	0.244	0.297	0.350	0.26	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
S.Fr.	4.263	5.163	6.063	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Plaz.	4.543	5.543	6.543	3.56	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Esc.	0.032	0.039	0.046	0.10	0.00	0.00	0.00	0.03	0.41	0.26	0.20	4
Y	3.543	4.343	9.773	783.3	19.66	3.75	2.63	213.3	29.30	19.66	16.98	356
DM	2.383	2.913	6.543	518.6	15.66	3.75	2.63	173.3	25.30	15.66	12.98	276
FF	0.561	0.711	0.862	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
S.Fr.	5.048	6.048	7.048	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
N.Fl.	0.755	0.936	1.117	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
Lira	0.263	0.323	0.383	0.22	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
CS	0.297	0.360	0.423	0.26	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
S.Fr.	6.048	7.263	8.463	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Plaz.	6.543	7.943	9.343	3.56	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Esc.	0.039	0.047	0.055	0.10	0.00	0.00	0.00	0.03	0.41	0.26	0.20	4
Y	4.343	5.143	11.573	933.3	21.66	3.75	2.63	233.3	31.30	21.66	18.98	396
DM	2.913	3.543	7.973	633.3	17.66	3.75	2.63	193.3	27.30	17.66	14.98	316
FF	0.711	0.901	1.092	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
S.Fr.	7.048	8.463	9.863	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
N.Fl.	0.936	1.157	1.368	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
Lira	0.323	0.393	0.463	0.22	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
CS	0.360	0.433	0.503	0.26	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
S.Fr.	8.463	10.063	11.663	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Plaz.	9.343	11.143	12.943	3.56	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Esc.	0.047	0.057	0.067	0.10	0.00	0.00	0.00	0.03	0.41	0.26	0.20	4
Y	5.143	6.143	13.973	1113.3	23.66	3.75	2.63	253.3	33.30	23.66	20.98	436
DM	3.543	4.343	9.773	783.3	19.66	3.75	2.63	213.3	29.30	19.66	16.98	356
FF	0.901	1.131	1.362	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
S.Fr.	10.063	12.063	14.063	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
N.Fl.	1.157	1.418	1.679	1.22	0.01	0.01	0.01	6.4	1.00	0.65	0.50	10
Lira	0.393	0.473	0.553	0.22	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
CS	0.433	0.513	0.593	0.26	0.00	0.00	0.00	0.16	0.10	0.08	0.06	1
S.Fr.	12.063	14.463	16.863	3.12	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Plaz.	12.943	15.543	18.143	3.56	1.00	1.00	0.65	16.3	2.59	1.80	1.46	29
Esc.	0.057	0.069	0.081	0.10	0.00	0.00	0.00	0.03	0.41	0.26	0.20	4
Y	6.143	7.343	16.573	1313.3	25.66	3.75	2.63	273.3	35.30	25.66	22.98	476
DM												

FINANCIAL TIMES MONDAY JUNE 29 1992

Div	Dividend	Last	City	Notes	Price	Wks	Div	Dividend
no.	paid	yd	file			atrgn	no.	paid

[illegible]

1000

London Share Prices
Real time share prices are available by calling FT Cityline on 0891 43 + the four digit code listed after the share price on this page. Calls charged at 38p/min cheap rate and 48p/min at all other times.

4:00 pm prices June 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991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MONDAY INTERVIEW

Reluctant trustee of transition

Anand Panyarachun, Thailand's prime minister, speaks to Victor Mallet and Peter Ungphakorn

Mr Anand Panyarachun, the suave, Cambridge-educated businessman, who this month became reluctant caretaker prime minister of Thailand for the second time in less than two years, has survived some remarkable ups and downs in his relations with the country's influential military establishment.

Thais were surprised but relieved when he was appointed by the king on June 10 to resolve the crisis which followed the killing of at least 50 pro-democracy demonstrators last month.

Sixteen years ago, as a senior diplomat responsible for negotiating the withdrawal of US forces from Thailand at the end of the Vietnam war, he was forced by the generals to undergo a humiliating investigation for alleged communist sympathies.

He was cleared of the charges, but disillusioned. Two years later he quit the foreign service for the boardrooms of some of Thailand's biggest companies. It was not until last year that he came into close contact with the military again. Gen Suchinda Kraprayoon, a deputy military attaché under Mr Anand when he was ambassador in Washington, had risen to become head of the army, masterminded a coup d'état and asked Mr Anand to lead the government until elections this March.

To the surprise of many of his colleagues, the enigmatic Mr Anand accepted. He was praised at home and abroad for liberalising the economy with a torrent of legislation during his 14-month term of office, but stood down with no intention of returning to politics. Then Gen Suchinda became prime minister, the people of Bangkok took to the streets, troops fired on protesters, and Mr Anand replaced the general.

Sitting in the ornate Government House where the prime minister has his offices, Mr Anand is philosophical - in fluent English - about this second accident of history. "I have never been interested in political office and it doesn't conform with my character. I do not aspire to be a public figure. I lead a private life, a quiet life. I enjoy my family, my children, and having spent 23 years in the diplomatic service and nearly 15 years in the private sector, I thought I was entitled to some kind of less troublesome lifestyle."

It was not so. Mr Anand finds himself charged with

three difficult tasks in the next few months: dealing with the generals responsible for the shootings in a way which will satisfy public opinion without provoking a dangerous response from the generals themselves; supervising fair elections in a country known for corrupt electoral practices; and restoring foreign and domestic confidence in an economy where the generals (and air chief marshals) have granted themselves lucrative sinecures to match their political influence. A process of political and military "structural adjustment" will at least have started by the time he leaves, Mr Anand hopes.

"The objective is to try to lower the army profile," he says. "It is not aimed at destroying the institution or defaming the institution. I'd rather look at the positive side of the structural adjustment, in the sense that it will enhance the army's professionalism, enhance the effectiveness of their management and make them into a more efficient fighting force."

"In the past 60 years - and this is not really the fault of the army, I think it's the fault of the entire system in Thailand - somehow inadvertently we have acquiesced in the acquisition of this very high profile role of the army. We have to take moderate and gradual steps. We cannot just charge into a china shop and break everything, so if we can begin demilitarising the political process and decommunalising the armed forces, perhaps this is the direction that I'm aiming at."

The generals are aware that for the first time their position is being seriously threatened by Thailand's rapid economic advances and the rise of the middle class professionals who formed the core of the demonstrators last month.

"Out of every crisis there are both positive and negative side-effects, and I think that there are many good people in the army establishment who are convinced that the year 1992 is different from the year 1980 or 1970. Mentally, they have already adjusted, but the structure of the army is such that open debate about their role, or about their power, is something which is alien to their culture. We must take it into account. We must strive not to make them feel that they are being cornered."

Mr Anand will have to use all his diplomatic skills in behind-the-scenes negotiations



'I hope they see me as an enlightened liberal'

with the military, and he declined to be drawn on how he hoped to achieve his aims or on whether he was pressing for the resignations of senior military officials.

Restoring confidence in the economy - still buoyant by international standards - will be easier. "Well, I hope my name means something," he says with a laugh. "I think that the integrity of my previous cabinet and my present cabinet would go a long way to restoring confidence. I always

PERSONAL FILE

1932 Born Bangkok. Educated in Thailand and Trinity College, Cambridge.

1955 Thai foreign ministry. 1972 Ambassador to US and permanent representative to UN.

1976 Permanent Secretary for Foreign Affairs. Ambassador to West Germany. 1978 Quits foreign ministry for boardroom posts.

1991 Appointed prime minister by military junta after February coup d'état.

1992 Interim prime minister after killings of pro-democracy demonstrators.

believe that if the people at the top are not corrupt and are not even seen to be corrupt then that's going to be a natural curb on the corrupt tendencies of the bureaucrats."

Unable to formulate new legislation for the parliament about to be dissolved, Mr Anand intends in the short time available to entrench the economic reforms of his previous administration, including trade liberalisation, the establishment of a Securities and Exchange Commission to police financial markets and the introduction of value-added tax.

Does that mean he wants to consolidate his policies before another government can mess

things up? "You said it," he replies. "Partly this is an indirect way of further opening the political system. If you have an open economic system, then the opening up of the political system is inevitable, so this is part and parcel of the process of structural adjustment."

Mr Anand recognises that Thailand's recurrent political problems owe as much to the inadequacies of the Thai parliamentary system as to the influence of the military. He is urging businessmen and other urban professionals to become involved in a political game which has been dominated by personal influence and patronage. He wants a poll as soon as is practicable - four months' time is the arbitrary deadline he has set himself - but he does not hold out great hopes for a clean election. "Don't expect miracles, because we have toyed with the democratic process for 60 years and I only have four months to deal with the fundamental flaws, but I believe that it can be no worse than the last elections, so any improvement is already a plus. As Winston Churchill said, the democratic process is perhaps not the best system but it is the least evil."

In the same vein, Mr Anand rejects suggestions that his much-applauded unelected governments show the validity of the authoritarian political arguments of Mr Lee Kuan Yew, Singapore's statesman, which are often quoted in Asia to justify undemocratic regimes. "It's all wrong in a way, when you listen to all these foreigners comparing the May events in Thailand to the Tiananmen Square incident in China or when people try to compare my previous administration with Mr Lee Kuan Yew's style of management, because here we have unlimited freedom of the mass media - that was only interrupted

during that fateful week [in May] - and on the whole this is something that I'm personally proud of. "Mr Lee Kuan Yew's thesis is that development and stability must come before democracy. I do not get that far. But I would say that he is partially right, and in terms of Singapore society, who am I to say that it is not right for the Singaporeans? But Thailand is a different country in terms of the size of the land and the size of the population... I mean you can discipline 2m citizens but you cannot really discipline 56m to 57m people."

Does that make Mr Anand, who abolished labour unions in government enterprises in his first term, a democrat rather than an authoritarian? "I know what I am and I think that most people in Thailand know what I am. I'm a liberal. I'm not a misguided liberal. I hope that they see me as an enlightened liberal, but not an enlightened authoritarian. There is a vast difference in that."

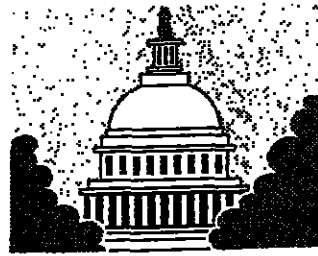
The genetic threat to capitalism

One of the advantages of Washington, FT colleagues assured me before I left London, is the intellectual stimulation provided by its extensive network of well-funded think-tanks. You will be one step ahead of us, they said, because most of the new ideas in economics and social policy originate in the US. Perhaps I have been asleep, but the intellectual excitement has been strictly limited in the past 18 months. By and large, the conservative think-tanks are still recycling ideas advanced by Friedrich Hayek in the 1950s. The liberal (left of centre) groups remain knocked off balance by this resurgence of authentic liberalism.

At last, however, I can report a faint whiff of something new, or at least something a little less hackneyed. A number of analysts are warning that the American ideal of an open, mobile society is being undermined by a growing genetic stratification of the population.

The fear, baldly put, is that America is heading towards a nightmarish science fiction future in which a clever and affluent elite effectively walls itself off (physically as well as socially) from the bulk of society, which lives in comparative poverty. The twist is that the affluent group is self-perpetuating because members marry each other thus transmitting their genetic advantages to future generations. Those outside the charmed circle remain socially and economically depressed because of an unfair distribution of innate ability.

This disturbing thesis is explored by Mr Mickey Kaus in a recent cover story for the New Republic magazine based on his forthcoming book "The End of Equality." As Mr Kaus notes, the argument was first advanced more than 20 years ago by Mr Richard Herrnstein, a Harvard psychologist. Mr Herrnstein is himself writing a book on the subject, in collaboration with Mr Charles Murray, the social critic who studied Washington in the early 1980s by advocating the abolition of welfare.



MICHAEL PROWSE on America

In a meritocratic society, the Herrnstein argument runs, social standing reflects the pay and prestige attached to your job. Your ability to succeed in the workplace in turn depends on your mental abilities. The implication is that if mental abilities are heritable, social standing is heritable. The sons and daughters of the successful will therefore tend to be atypically successful. This raises the spectre of horrible new class divisions based on genes rather than titles or property.

The irony is that the greater the efforts to eliminate traditional obstacles to personal advancement, the greater the risk of genetic stratification. For example, as educational opportunities are broadened, it becomes more rather than less likely that those gaining the top qualifications - and hence the top jobs - will have the greatest innate ability. The feminist revolution, while increasing opportunities for women, has also exacerbated the problem. With both partners now typically working, the pay and employment status of women has a bigger impact on marriage decisions. A generation ago, doctors often married nurses; now they are more likely to marry fellow physicians. In business, MBAs are more likely to marry fellow professionals than secretaries and so on.

In days gone past, Mr Kaus points out, people who failed economically could blame their misfortune on extraneous factors, such as lack of education or social barriers. But if such obstacles are removed, people will be forced to confront their own natural limitations. The

risk is an ugly society in which the successful consider themselves superior rather than merely privileged or lucky.

It is probably too early to judge whether genetically-based social stratification is a serious threat. But the argument can be challenged on several grounds. The linchpin is the assumption that mental abilities are largely inherited. If IQ and other purported measures of ability are mainly determined by environmental rather than genetic factors, the thesis collapses. I hope this is the case, but I do not pretend to have thoroughly reviewed the scientific evidence.

The other weakness in the argument is the claimed link between abstract measures of mental ability and economic success. At present, the US system favours those who shine in academic aptitude tests. It is difficult to get into the top universities without high test scores. And America is so sold on qualifications that it is difficult to get a top job without several badges from one of these institutions - usually a PhD or professional qualification as well as a first degree. But nobody has shown that this very lengthy mental training is actually necessary or indeed relevant to job performance. It could be little more than a comfortable cartel run by, and on behalf of, the upper middle classes.

In a truly entrepreneurial society, personality and energy are likely to be as important determinants of success as academic aptitude. After all there is nothing inherently complicated about most of the services that people want. And while technology is getting more complex, it is often surprisingly easy to use.

There is no denying, however, that Mr Kaus and others are raising troubling issues. An aristocracy founded on differences in innate ability potentially poses a bigger threat to social harmony than all the kings and queens of history put together. We should no longer fight shy of a public debate about the social implications of genetic differences.

Dear Lord chancellor...

Your intention to publish a detailed consultation paper on the question of continued bewigging and begowning of only the judges and advocates of the High Court of Justice seems an unnecessarily elaborate process to determine a straightforward and uncomplicated issue that sharply divides the traditionalist from the traditionalist. Cannot that simple issue be left to the Council of Judges to decide, since it is the judges who, apart from any statutory provision, exclusively define their own practice and procedure as part of the inherent jurisdiction of the court?

Few, if any, seem to want to be rid of the gown. It is the recognised symbol of authority in all civilised legal systems. And no one suggests that it is anachronistic to require uniform dress in the cause of majestic justice. Even the most plebeian of contemporary legal systems - the US - has discarded most of the accepted habits of decorous forensic behaviour, but not the black gown.

Contrariwise, the wig is an anachronism. Apart from some quiddities of the parliamentary scene of which you, Lord Chancellor, are an exemplar - the wig, as opposed to the toupee, is worn only ceremoniously. There is no great harm in that. To sustain the links with our legal ancestors by a visual display at the annual parade of the judiciary is a mark of historical development. We need to be reminded whence we



JUSTINIAN

have come.

The retentionists argue, rightly, that the legal process is a public service, and if the public want to dress up their judges and legal practitioners in horsehair, so be it.

We should bow to the popular voice. This would perhaps carry the day if the public were regular users of the courtroom. Happily they are not. Those who undergo the rigours of the litigious process are a largely self-selective and partially selected number.

The overriding impression that any participant in the forensic process gets is the awesomeness of the law in action.

Witnesses - those who by definition are largely dragged to court to support one side or another - universally find the experience intimidating. The process should be designed to reduce the element of unfamiliarity commensurate with a decorous procedure that befits a civilised country's means of resolving the citizenry's disputes. Any-

thing that is distinctively out of accord with customary standards of dress should be avoided.

Wigs are at best theatrical; at worst they belong to the kindergarten.

Then it is said, with appropriate seriousness, that the wig provides an anonymity so necessary to protect the judge - even physically, it seems - from streetwalk or shopfloor recognition by disgruntled litigants motivated to inflict injury.

Does Lord Donaldson of Lynton really believe that the wig disguises the judge sufficiently to allow him to pass unnoticed from a civilian shopping in Marks & Spencer?

I am afraid experience is to the contrary. The wig - not the full-blown variety used for ceremonies - distorts but does not obliterate the physiognomy. The Master of the Rolls will have to wear a mask if he wants to hide his handsome countenance. My respect for him is not one whit enhanced for the piece of horsehair that sits unevenly on his ample locks.

Lord Brightman, apparently a convert to retentionism, through a methodologically unsound poll conducted by familial pollsters, says that it is no hardship for us lawyers (and judges) to bow to popular demand.

Hardship, no. But the thing I have had to wear for nearly 40 years is a confounded nuisance. I can testify to being a less-than-proud owner of a frowzy wig, much like that

described as possessed by Dr Johnson - out-of-court, of course.

It is time that the English and the Scots took a leaf out of the book of their kinsfolk in the Channel Islands.

The Court of Appeal for Jersey and for Guernsey was formed a quarter of a century ago out of a panel of twelve English and Scottish QCs. We wear a jabot (rather more elegant than the English white bands) and a French style hat. But as soon as the court assembles, the hats are removed and replaced only on the court rising. That combines a due respect for tradition and does not detract from the due process of law.

So, Lord Chancellor, to adopt a Chattertonian phrase directed at one of your predecessors on the woolsack, chuck it. You have done much to modernise our profession. You will go down in history as the moulder of a vital public service. Don't tarnish that reputation by condescending to the forces of reactionism.

Out with the horsehair. In with the public demonstration that the law is here to serve a public that no longer wants the histrionics of advocates detracting from day-to-day problems that beset the ordinary citizen. The courtroom is not a place for pantomime, but for serious problem-solving.

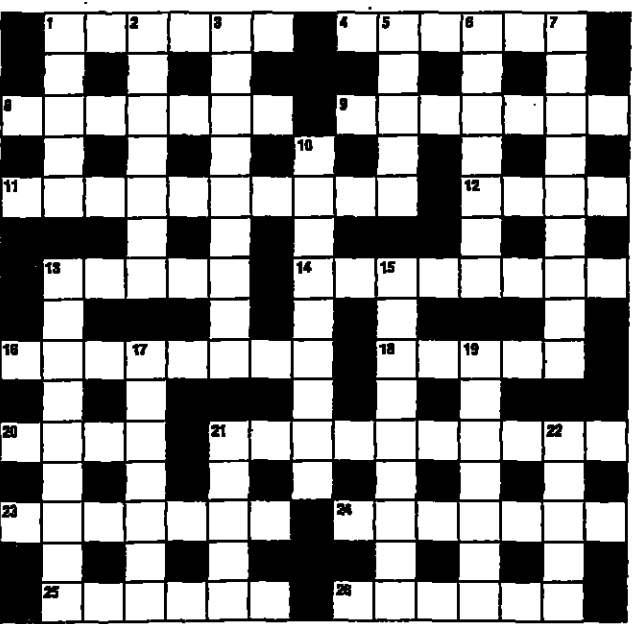
Yours,
Louis Blom-Cooper QC

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VCR

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- ACROSS**
- Type of entertainment cowboy Bill took round the Middle East (6)
 - Peg leading Susan, Lester's wife, we hear (8)
 - Claimed it could be therapeutic (7)
 - Shows respect to higher degrees (7)
 - Imprisoning the Queen's regent? What a projection! (10)
 - Beat the party (4)
 - Danger of poison from canned beef (5)
 - First woman to produce some pork (5,3)
 - Rips off in genuine attempt at retaliation (9)
 - General carrying the learner's weapon (8)
 - A bloomer to hold the ball game in the morning (4)
 - Final payment for subsistence (10)
 - Deliberately contrived to collapse when boss was around (7)
 - Olympic MP got back the taste for relative status (7)
 - Where, in the intelligence service, agents return for screening? (6)
 - Penultimate form of being well born (6)
- DOWN**
- Affirmation of faith in the classics (6)
 - Does it protect the batsman against potential deliveries? (7)
 - Closing dates for the axed railways (9)
 - Upturn of total production conceals alternative projection (6)
 - Something one is always going to say (7)
 - Means of getting in the French after their turn to sit out (9)
 - It's not practical to make up either cot (9)
 - Joker upset pair with trifle left inside (5,4)
 - Managed to hold the first man back, being fast (7)
 - Our paper's got no employees in the interior, yet brings heat to bear (7)
 - Set out before the morning mist (5)
 - Having a taste of Brazil, perhaps, could be mad (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 11.

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In accordance with the provisions of the Notes, notice is hereby given that the interest rate for the three month period commencing 29th June, 1992 will be 4.2375% per annum. Coupon Payment Date 29th September, 1992.

Coupon Amounts will be:
US\$ 10,829.17 on Notes of US\$ 1,000,000
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